On studying the strategic planning process in large companies: Theoretical perspectives and evidence

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St. Gallen, November 22, 2007

The President:
Prof. Ernst Mohr, PhD
Preface

I would like to take this opportunity to express my gratitude to a number of people. They all helped contribute in their own ways to the development of this thesis.
First, I would like to thank my academic advisors, Prof. Winfried Ruigrok and Prof. Simon Peck for their continuous guidance and support. Second, a big ‘thank you’ to all the interview partners from the case study companies for sparing time from their busy schedules to support my research.

I am also very grateful to my family and my boyfriend for their continuous support and confidence in me. And of course, to my wonderful friends, who – wherever they are – are always by my side.

Frankfurt, November 2007

Marie Nauheimer
# Table of contents

Preface ................................................................................................................................. iii

Table of contents ................................................................................................................ iv

List of figures ....................................................................................................................... ix

List of tables ......................................................................................................................... x

List of abbreviations ........................................................................................................... xi

Summary ............................................................................................................................... xiii

1 Introduction: Aim and structure of the research .............................................................. 1
   1.1 Research background and process framework ............................................................ 2
   1.2 Practical relevance ....................................................................................................... 4
   1.3 Thesis overview ......................................................................................................... 5

2 Context and historical underpinnings ........................................................................... 8
   2.1 Historical background ................................................................................................. 8
   2.2 Taking a closer look at three decades of strategic planning literature ...................... 16
      2.2.1 Planning as a Process ...................................................................................... 17
      2.2.2 The role of the environment .......................................................................... 21
      2.2.3 Linking strategic planning and organisational performance ............................ 23
      2.2.5 How strategic planning should be done – some ideas from the literature .......... 29
      2.2.6 Strategic planning today – closing the research gaps ....................................... 31

3 Propositions .................................................................................................................... 33
   3.1 Selection of appropriate theory lenses ..................................................................... 34
      3.1.1 Criteria for theory lens selection ..................................................................... 34
      3.1.2 Theory lens selection ..................................................................................... 35
         3.1.2.1 Resource-based view and dynamic capabilities approach ......................... 36
         3.1.2.2 Institutional theory .................................................................................. 36
3.1.2.3 Organisational routines approach .......................................................... 37
3.2 Theoretical research framework ...................................................................... 38
3.3 Theory lens I: resource based and dynamic capabilities approach ................. 40
3.4 Theory lens II: institutional theory .................................................................... 43
  3.4.1 Strategic planning and the three pillars ....................................................... 43
  3.4.2 Strategic planning and legitimacy ............................................................... 44
  3.4.3 Strategic planning and change .................................................................... 45
  3.4.4 Strategic planning and external consultants ................................................ 46
  3.4.5 Strategic planning and the influence of national culture ......................... 47
3.5 Theory lens III: organisational routines ........................................................... 49

4 Methodology ........................................................................................................... 58
  4.1 Research questions .......................................................................................... 58
  4.2 Research strategy and method ......................................................................... 60
    4.2.1 The comparative (multiple) case study method ........................................ 63
    4.2.2 Unit and level of analysis .......................................................................... 64
    4.2.3 Methodological rigour ............................................................................. 66
  4.3 Research design ................................................................................................ 70
    4.3.1 Selection of companies ............................................................................ 71
    4.3.2 Data collection .......................................................................................... 76
    4.3.3 Interviews ................................................................................................. 78

5 The empirical study ................................................................................................. 80
  5.1 Conglomerates .................................................................................................. 81
    5.1.1 ABB AG ................................................................................................... 81
      5.1.1.1 History .............................................................................................. 81
      5.1.1.2 Recent developments ....................................................................... 82
      5.1.1.3 Strategic Planning System ................................................................. 82
    5.1.2 BASF AG .................................................................................................. 86
      5.1.2.1 History .............................................................................................. 86
      5.1.2.2 Context and developments .................................................................. 87
5.1.2.3 Strategic planning system ................................................................. 87
5.1.3 Eaton Corporation .................................................................................. 89
   5.1.3.1 History ......................................................................................... 89
   5.1.3.2 Context and developments ........................................................... 90
   5.1.3.3 Strategic planning system ............................................................. 90
5.1.4 Newell Rubbermaid ............................................................................... 92
   5.1.4.1 History ......................................................................................... 92
   5.1.4.2 Context and developments ........................................................... 93
   5.1.4.3 Strategic Planning System .......................................................... 93
5.2 Automotive suppliers ............................................................................... 95
   5.2.1 Bosch .............................................................................................. 95
      5.2.1.1 History ..................................................................................... 95
      5.2.1.2 Context and developments ......................................................... 96
      5.2.1.3 Strategic planning system ......................................................... 96
   5.2.2 Knorr Bremse ................................................................................... 97
      5.2.2.1 History ..................................................................................... 98
      5.2.2.2 Context and developments ......................................................... 98
      5.2.2.3 Strategic planning system ......................................................... 99
   5.2.3 Goodyear ......................................................................................... 100
      5.2.3.1 History ..................................................................................... 100
      5.2.3.2 Context and developments ......................................................... 101
      5.2.3.3 Strategic Planning System ......................................................... 101
5.3 Regional Banks ...................................................................................... 103
   5.3.1 National City .................................................................................... 103
      5.3.1.1 History and recent developments ............................................. 103
      5.3.1.2 Strategic Planning System ......................................................... 104
   5.3.2 NASPA ............................................................................................ 106
      5.1.3.1 History and context ................................................................. 106
      5.1.3.2 Strategic Planning System ......................................................... 107
6. Findings and discussion .......................................................................... 109
9.4 Appendix D: Example of case study protocol .......................................................... 217
List of figures

Figure 1: Research process framework ................................................................. 3
Figure 2: Thesis outline ......................................................................................... 7
Figure 3: Structure and process of strategic planning .......................................... 18
Figure 4: Selection criteria for theory lenses ....................................................... 35
Figure 5: Evaluation of theory lenses .................................................................. 38
Figure 6: Theoretical research framework ............................................................ 39
Figure 7: The performative cycle of routines ...................................................... 54
Figure 8: Research process and theoretical framework ........................................ 60
Figure 9: Multiple case study design ................................................................... 64
Figure 10: Level and unit of analysis ................................................................. 65
Figure 11: Research design .................................................................................. 70
Figure 12: Case study clusters ............................................................................ 80
Figure 13: Strategic planning process at ABB ...................................................... 85
Figure 14: Strategic planning process at BASF .................................................... 89
Figure 15: Strategic planning process at Eaton .................................................... 91
Figure 16: Strategic planning process at Newell Rubbermaid ............................ 94
Figure 17: Strategic planning process at Bosch ................................................... 97
Figure 18: Strategic planning process at Knorr Bremse ..................................... 100
Figure 19: Strategic planning process at Goodyear ........................................... 103
Figure 20: Strategic planning process at National City ...................................... 106
Figure 21: Strategic planning process at NASPA ............................................... 108
Figure 22: Generic strategic planning framework .............................................. 111
Figure 23: Generic strategic planning timeline ............................................... 112
Figure 24: Cluster of companies – new business ventures ............................... 120
Figure 25: Growth at Newell Rubbermaid ...................................................... 125
List of tables

Table 1: 10 schools of thought on strategy formation..................................................... 12
Table 2: Overview propositions......................................................................................57
Table 3: Tests for methodological rigour........................................................................69
Table 4: Case study interviews..........................................................................................73
Table 5: Strategic planning processes and characteristics ..............................................116
Table 6: Findings proposition 1a ..................................................................................141
Table 7: Findings proposition 1b..................................................................................144
Table 8: Findings proposition 2a ..................................................................................149
Table 9: Findings proposition 2b..................................................................................152
Table 10: Findings proposition 2c .................................................................................155
Table 11: Findings proposition 2d..................................................................................160
Table 12: Findings proposition 3a ..................................................................................168
Table 13: Findings proposition 3b..................................................................................171
Table 14: Findings proposition 3c ..................................................................................174
Table 15: Overview of propositions and findings...........................................................177
List of abbreviations

ABB Asea Brown Boveri
AG Aktiengesellschaft (stock corporation)
AI Appreciative inquiry
BASF Badische Anilin- & Soda-Fabrik
BU Business unit
C Collectivism (cultural dimension)
Capex Capital expenditure
CEO Chief executive officer
CFO Chief financial officer
CoC Centre of competence (Knorr Bremse)
Corp. Corporate
CH Switzerland
DE Deutschland (Germany)
DRAM Dynamic random access memory
EBIT Earnings before interest and tax
EBO Emerging business opportunities (IBM)
EDP Executive development programme (National City)
EPD Emerging products division (Goodyear, sold to Carlyle Group)
e.g. for example
ESP Electronic stability programme (Bosch)
et al. et alii (and others)
EU European Union
F Femininity (cultural dimension)
GE General Electric
GmbH Gesellschaft mit beschränkter Haftung (privately-limited company)
HR Human resources
I Individualism (cultural dimension)
i.e. which means
inc. incorporated
IT Information technology
M Masculinity (cultural dimension)
M&A Mergers and acquisitions
Mgt. Management
NASPA Nassauische Sparkasse (German regional bank)
LT Long-term
OCA Organisational capability assessment (Eaton)
p.a. per annum
PD Power distance (cultural dimension)
plc publicly-listed company
PPT Powerpoint
RBV Resource-based view
R&D Research & development
ROE Return on equity
SBU Strategic business unit
SMEs Small- and medium-sized enterprises
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST</td>
<td>Short-term</td>
</tr>
<tr>
<td>STRAT</td>
<td>Strategic planning</td>
</tr>
<tr>
<td>STRAP</td>
<td>Strategic planning process (Knorr)</td>
</tr>
<tr>
<td>SP</td>
<td>Strategic planning</td>
</tr>
<tr>
<td>SPS</td>
<td>Strategic planning system</td>
</tr>
<tr>
<td>SWOT</td>
<td>Analysis of strengths, weaknesses, opportunities, threats</td>
</tr>
<tr>
<td>TM</td>
<td>Trademark</td>
</tr>
<tr>
<td>UA</td>
<td>Uncertainty avoidance (cultural dimension)</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>VRIN</td>
<td>valuable, rare, inimitable, non-substitutable</td>
</tr>
</tbody>
</table>
Summary

This thesis aims to contribute to strategic planning process research. Currently, practitioners as well as academics liken strategic planning with making strategy. This, however, is a fundamental misunderstanding that has further been limited by the lack of empirical investigation of the phenomenon itself.

The uniqueness of this work can first be seen in its theoretical approach. This thesis will use three different established strategic management approaches – resource-based and dynamic capability view, institutional theory and organisational routines approach – and apply their underlying logic in the context of organisational strategic planning. The application of new theory perspectives results in a changed understanding of strategic planning – in particular, the changing roles of the process of strategic planning as compared to those illustrated in traditional planning literature.

The methodological approach of this thesis is based on a comparative case study. The companies selected for this research have an international focus. They are headquartered in the US, Switzerland and Germany, and operate on a global scale. There are nine cases in total that can be grouped into three categories: international conglomerates, automotive suppliers and regional banks. The detailed analysis of these case studies fills a gap in the literature; despite intense debates over the merits of strategic planning we know little about the formal systems through which companies formulate their strategic plans.

In brief, this thesis presents the following contributions: firstly, this work changes the way the process of strategic planning should be understood. It does so by reconciling the two traditional views in the literature that prescribe opposing roles to strategic planning processes: that a process of “planned emergence” is called for. Secondly, the case study results describe the effects of contextual changes in strategic planning systems by showing that they are a mechanism of coordination and control. Thirdly, the findings of this study have practical implications: strategic planning effectively takes on the internal organisational roles of communicator between divisions and corporate leadership simultaneous to being a mechanism of coordination and control. It therefore deduces recommendations for multinational companies that are faced with strategic planning tensions between the corporate centre and its divisions.
1 Introduction: Aim and structure of the research

Over the past two decades, the strategic plan has become a common management tool. Much has been written and published in the field of strategy, and consequently, on strategic planning. At its peak in the 1970s and 80s, planning was the central activity of modern firms, which they thought enabled them to achieve a competitive advantage. Much influential literature stems from this time, shaping the way managers thought about strategic plans. Over the past two decades research has increasingly identified the ‘pitfalls’ of planning (Mintzberg 1994a). In addition, strategic planning and its link to organisational performance have led to inconclusive findings and have made a synthesised stream of research difficult to achieve.

From a strategic planning perspective, the ultimate objective of a firm should be long-term survival (Anderson 1982). In the process of achieving competitive advantage, issues such as financial performance, diversification and organisational change become relevant. Strategic plans are ultimately the outcomes of a bargaining process among functional areas (Ringland 1998). Each functional area co-operates and, at the same time, may compete within the given constraints of competition to achieve its favourable position in the future. This is not only true for companies with informal planning processes, but also for those with formal procedures. The planning process thus constitutes a combination of formal/analytical and power-behavioural approaches.

Some companies may argue that the planning process is relatively straightforward. Other firms struggle with and even fail at strategic planning initiatives at the very beginning. Undeniably, planning is important to every firm. But how do firms actually conduct planning? And why?

The aim of the following research is twofold: firstly, its purpose is to advance the theory of strategic planning systems by considering the subject via theory lenses that have not previously been applied to the topic. Secondly, this study will contribute to the spectrum of what we know about the reality of strategic planning processes. It will do so by studying how companies actually develop and conduct strategic planning practices, how these processes may vary between companies, and identify planning purposes that may have been overlooked by previous studies.
1.1 Research background and process framework

The conceptual and empirical point of departure for this thesis was a pilot study and publication by Professor Rob Grant of Georgetown University, Washington, USA. In his 2003 focus study (Grant 2003), Grant examined strategic planning processes in eight major oil companies. He found that while all companies engage in some form of strategic planning practice the characteristics of these processes have changed radically from what is known in traditional planning literature. Inspired by these findings, the author of this thesis decided to build on Grant’s (2003) research on a broader scale. The author’s interest is to extend knowledge empirically and theoretically: First, to expand on the subject internationally, researching companies in various countries such as Switzerland, Germany and the United States. Secondly, this thesis is designed to broaden the examination of strategic planning processes over more than one sector. The purpose of this study is to see why and how planning practices vary, and if there are any implications for the theories of organisational evolution. Similar to Grant’s (2003) focus study, in-depth interviews formed the main part of this work’s empirical section, thereby generating insightful facts that show the true purposes of strategic planning systems.

The current thesis therefore advances the subject of strategic planning in two dimensions: For one it conducts a thorough theoretical analysis by applying concepts to the subject in an unprecedented manner. It consequently develops some much needed theoretical grounding on the subject of strategic planning. In a second step, this work will build on Grant’s pilot study on an empirical level by extending it to several industry sectors and countries.

In order to develop meaningful case studies – theoretically and empirically relevant – the following generic framework guided the research process of this thesis:
Figure 1: Research process framework

1) Theory lenses give new insights into strategic planning processes
The literature on strategic planning processes is vast and has evolved over the years. If the pilot study on oil majors is any measure to go by, then traditional strategic planning structures and purposes are obsolete, and have been replaced by different versions and new planning characteristics. Applying theory lenses to strategic planning systems will enable new insights into a changed setting.

2) Empirical study to uncover real processes and planning purposes thereby identifying common issues
In a second step, empirical cases need to uncover how strategic planning is really conducted. Here, a selection of companies in different geographical regions and industries will be compared to show common themes and differences in planning systems.

3) Interpreting and linking findings to theory
In a last step, this study will show whether the use of newly applied theoretical threads in the strategic planning context can create meaningful findings.
1.2 Practical relevance

“Strategic planning is the backbone of this company.”

The above statement was made by Dr. Stefan Blank, Senior Vice President of Strategic Planning at BASF. It shows how crucial a good strategic planning system is for every company. Strategic planning is at the core of any organisation and coping with its challenges is not always easy. Academics such as Ansoff (1991) and Mintzberg (Mintzberg 1994b) have argued for years what (if any) role strategic planning should have in companies. Similarly, practitioners are not always at ease with the planning system. According to a McKinsey survey (Dye 2006), fewer than half of the respondents claimed to be satisfied with their company’s approach to strategic planning. However, 23% of respondents of the same survey attributed strategic decision making to the formal strategic planning process, and reported that it had a major influence on overall corporate strategy. Furthermore, respondents attributed the following key themes to the responsibility of the corporate strategy group: Developing content for strategic plans (78%), managing the process of developing strategy (71%), acting as internal consultants (67%), and identifying key strategic issues for senior management (79%). While feelings about the effectiveness of strategic planning may be mixed, the results of the McKinsey survey emphasise the importance of strategic planning as a process in organisations. On a different note, the McKinsey report also reported a growing dissatisfaction with strategic planning. Their reported concerns involve themes such as developing an improved process to monitor the progress against the strategic plan (32%), as well as improving the overall efficiency of the planning process (20%). In addition, companies were not found to use their strategic planning process to uncover and enhance new opportunities for business development and growth. The McKinsey report illustrates the mixed feelings practitioners have about the topic of strategic planning. One side of the coin seems to be represented by an agreement that strategic planning lies at the heart of any successful organisation. On the other hand, there are doubts about the role strategic planning should play in companies, and if there is any best way to conduct strategic planning.

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1 Survey conducted in July/August 2006 with 796 executives whose responsibilities are primarily financial or strategic. Selected companies had revenues of at least $500 million and ranged across industries and regions.
“Essentially, it’s a dog-and-pony-show”

The above quote from one of the interview partners at Bosch illustrates the negative view on strategic planning processes. It stresses doubts in regards to the effectiveness of planning and that it boils down to a grotesque and useless process that exists because everybody has got used to it.

The aim of this thesis is to tackle the existing gap between differing views on strategic planning and conduct a study that is not only academically applicable, but also has the potential to report relevant findings for the business world. Rather than trying to find one ‘best-practice’ example, this study will show a combined picture by drawing ideas from a set of case studies conducted in this context.

1.3 Thesis overview

This study is divided into seven chapters (cf. Figure 2).

In Chapter 2 the context and historical development of strategic planning research will be discussed. The purpose of this chapter is to get a feel for how strategic planning has been traditionally researched, and what themes were considered relevant in the past. The chapter further aims to show that while traditional views of strategic planning may have been worthwhile at the time, organisational reality has moved on, thus, calling for new ways to explore a topic that remains relevant for business practitioners and academics alike.

Chapter 3 introduces the idea of theory lenses and, therefore, a way of researching strategic planning processes in a new light of explanatory power. The criteria for theory selection are presented and the chosen theories briefly introduced. The chapter then turns to link each theory lens with the topic of strategic planning thereby deriving appropriate, researchable propositions.

On the basis of the theoretical discussion, Chapter 4 introduces specific research questions from which a suitable research methodology can be derived. After discussing the research strategy, the selection of the multiple case study methods is presented. This is followed by a discussion of methodological rigour. The chapter closes by illustrating the process of data collection and evaluating consecutive empirical cases undertaken in this study.

Chapter 5 presents the nine case studies. After a short introduction to each company and historical background, the strategic planning system is described in detail. Attention is
paid to time and timing issues of each company’s process thereby setting the stage for cross-case comparisons in Chapter 6. While Chapter 6 synthesises this study’s findings, it also links back results to the theoretical propositions derived in Chapter 3. The final chapter (Chapter 7) will close by drawing conclusions and implications for business practice. It also includes limitations of this study and possible avenues for future research.
Figure 2: Thesis outline

Theoretical background

Chapter 1
Introduction and overview

Chapter 2
Historical context and background

Chapter 3
Theory lenses and propositions

Chapter 4
Research strategy, method and design

Empirical study

Chapter 5
Case Studies

Chapter 6
Cross-case comparison

Chapter 7
Conclusions and implications

Source: Author
2 Context and historical underpinnings

This chapter will establish the research context and background of the topic. For this purpose, strategic planning literature is reviewed in its historical context. The chapter is designed to give a brief overview of how strategic planning research has been looked at traditionally. The review will illustrate the advantages and shortcomings of each theoretical thread of strategic planning, thereby establishing a thorough background to the topic. While this historical review is designed in a comprehensive fashion it will only briefly introduce the most important issues of strategic planning literature. The complete array of writings on strategic planning (which often stretch deep into corporate strategy literature) is so vast that this short review will not do justice to each thread uncovered in the literature. For the purpose of the following theoretical propositions developed in Chapter 3 and the subsequent empirical study, the historical review will only touch on related and relevant issues of the strategic planning process; how different settings can influence planning systems and what, if any, is the effect of planning on organisational performance.

The chapter will start by introducing the traditional approaches of strategic planning (section 2.1) and then move on to explore various themes from three decades of strategic planning literature (2.2). Writings, grouped into themes, comprise planning as a process (2.2.1), the role of the environment (2.2.2), the link between strategic planning and organisational performance (2.2.3) and a short summary of more minor themes (2.2.4).

2.1 Historical background

Within management research, strategy making is indisputably the core business process of any organisation. It is hard to imagine a firm without any business strategy. Strategic planning remains the most popular and widely analysed tool of strategic management (Rigby 1999). Furthermore, most organisational processes tend to be designed around the organisation’s strategy. Planning is a process that cannot be outsourced. Outside help can be brought in but ultimately only the firm itself possesses enough inside knowledge to set a strategy and take steps to achieve its goals. Ruigrok, Pettigrew et al. (1999) find that while companies over the years have devolved operational control, they have maintained a high level of strategic control. Essentially, strategy making and strategic planning are at the core of every organisation.
Strategy research is a vast topic and has remained until this day one of the most popular fields in management research. It is also a field highly relevant to the business world, and organisations never cease to be interested in relevant academic findings. Strategy research can be divided into content and process research. Content research is concerned with the strategic decision itself (Huff and Reger 1987). This concerns the company’s overall direction such as market entry and exit, product differentiation, vertical integration, mergers and acquisitions and similar subjects. In contrast, strategic process research is concerned with actions that lead to and/or support strategy. Planning methods and decision-making are examples. This study fits into the category of strategic process research, specifically organisational planning practices. According to Huff and Reger (1987), there are 9 different dimensions of strategic process research: planning prescriptions, systematic implementation, decision aids, evolutionary prescriptions, planning practices, structure systems and outcomes, agendas and attention, contextual influences and the integrative approach. The focus of this study falls into the ‘planning practices’ category.

Virtually all large – and increasingly also smaller – companies around the world follow some kind of planning system. Over the years, fundamental concepts, ideas, processes and procedures have developed, and these address a recurrent theme in the literature. Some authors (Steiner 1979; Mintzberg 1979a; Zucker 1987) claim that every manager should have at least some understanding of strategic planning since it is linked to, and interconnected with, the management process of a company and thus its success. Unfortunately, research has shown that the level of understanding among managers often remains at the minimal level, creating fuzzy knowledge about the subject (Garvin 2004). Depending on the view one takes, strategic planning can even be described as the ‘strategic backbone’ (Ansoff, Declerck et al. 1976) in strategic management. Following this line of thought, planning should be a function, which embraces managers at all levels of the organisation.

Historically, the concept of strategic planning was introduced in the early 1960s and has been subject to various degrees of attention over the years. The interest in strategy as a study of management discipline followed the diffusion of strategic planning among large companies in the 1950s and 1960s. Over the years, the topic has experienced varying degrees of interest from academics as well as practitioners. The reasons for the rise and fall of strategic planning are numerous; some can be explained by historical events
others are not so easily identified. Historically, the topic of strategic planning built up in the 1960s and 1970s, peaked in the 1980s and early 1990s and quietened down in the mid to late 1990s. The focus shifted from how to conduct strategic planning to formulating strategy to criticising its effectiveness and impact on organisational performance. In a way the cyclical development of strategic planning as a topic can also be seen in environmental changes: the development of turbulent and fast-moving market conditions, and the resulting issues of different management styles.

The following discussion will shed light on the historical development of the concept of strategic planning and why it is a theme that deserves our attention today.

Toward the end of the 1950s, many American firms found themselves confronted with problems that their – until then – standard management techniques of budgeting, financial controlling, marketing and promotion could not remedy. Market demand seemed to be stagnating, or even dropping, and firms turned their energies toward developing new styles to deal with their problems. Soon they found themselves converging on a new approach, developed through trial and error, which became known as *strategic planning* (Ansoff, Declerck et al. 1976).

In the 1960s and 70s academic literature on planning became extensive. Referred to as long-range planning, the hot topic at the time was ‘top down’ vs. ‘bottom up’ planning. Economic forecasts or markets were the major components that guided companies in their planning activities. At the time, environmental conditions proved relatively stable and thus “corporate leaders embraced strategic planning as the one best way to devise and implement strategies that would enhance the competitiveness of each business unit” (Mintzberg 1994c:107). By the mid-1970s a number of authors had reported the widespread adaptation of long range planning, especially in the US, but also in Europe and Japan (Capon, Farley et al. 1987). A large body of the literature turned to examining industry-specific plans. Industry foci include examples such as airlines (Bouamreme and Flavell 1980), banking (Wood and LaForge 1981) and telecommunications (Probert 1981). The majority of literature from this time focuses on US firms (Ansoff, Declerck et al. 1976; Steiner 1979; Capon, Farley et al. 1987). There are also a number of writings that deal with Canadian firms (largely due to Henry Mintzberg’s contributions) and a few works that analyse companies located in the UK (Denning and Lehr 1971; Denning and Lehr 1972). In sum, during the 1960s and 70s strategic planning was very central
most large and international companies created a new function staffed by a ‘specialist-strategic-planner’ and the output of the strategic plan was expected to “produce the best strategies as well as step-by-step instructions for carrying out those strategies” (Mintzberg 1994c:107).

The 1980s and 1990s saw conventional ideas about strategic planning being challenged for the first time. Forecasts and future planning were becoming increasingly difficult and uncertain due to changes in the business environment. Global competition and innovative entrepreneurs made conventional strategic planning look like a luxury from the past. The foundations of planning were shaken by fundamental issues of how it should be carried out. During this time, the famous debate between Mintzberg (Mintzberg 1987; Mintzberg 1991) and Ansoff (Ansoff 1991; Ansoff 1994) emerged on the Learning School vs. the Planning School.

Without deviating too much into corporate strategy literature, one needs to take one step back to understand the emergence of ‘schools of thought’. While the literature on the strategy school of thought is derived out of the strategy-making context, its ideas can be transferred to the strategic planning context, which is normally derived from corporate strategy. The nature of the different ways of strategy formation would theoretically imply that the output of the strategic planning process – the strategic plan – would differ greatly depending on the characteristics of each school of thought.

In total, there are 10 schools of thought as the following table depicts:
<table>
<thead>
<tr>
<th>10 schools of thought on strategy formation</th>
<th>Implication for planning process and strategic plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design School</strong></td>
<td>- formal, standardised planning process</td>
</tr>
<tr>
<td>Strategy formation as a</td>
<td>- clear functional responsibility of strategic planning</td>
</tr>
<tr>
<td>formal process</td>
<td>- high level of quantitative sophistication of strategic plan</td>
</tr>
<tr>
<td><strong>Planning School</strong></td>
<td>- execution/implementation of plan directly linked with budgeting process</td>
</tr>
<tr>
<td>strategy formation as a</td>
<td></td>
</tr>
<tr>
<td>conceptual process</td>
<td></td>
</tr>
<tr>
<td><strong>Positioning School</strong></td>
<td></td>
</tr>
<tr>
<td>strategy formation as an</td>
<td></td>
</tr>
<tr>
<td>analytical process</td>
<td></td>
</tr>
<tr>
<td><strong>Entrepreneurial School</strong></td>
<td>- flexible planning process</td>
</tr>
<tr>
<td>Strategy formation as a</td>
<td>- contribution to plans on basis of know-how not function</td>
</tr>
<tr>
<td>visionary process</td>
<td>- develop strategic planning capabilities over time</td>
</tr>
<tr>
<td><strong>Cognitive School</strong></td>
<td>- dynamic process adapting to changing needs</td>
</tr>
<tr>
<td>Strategy formation as a</td>
<td>- high level of environmental monitoring</td>
</tr>
<tr>
<td>mental process</td>
<td>- continuous scanning of planning process and strive to enhance its efficiency</td>
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<tr>
<td><strong>Learning School</strong></td>
<td>- concentration of qualitative statements in strategic plan rather than quantitative elements</td>
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<tr>
<td>Strategy formation as an</td>
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<td>emergent process</td>
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<td><strong>Political School</strong></td>
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<td><strong>Cultural School</strong></td>
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Out of the 10 schools of thought, the first three are of a prescriptive nature. In other words, the prescriptive approaches recommend the use of rational, formal ways of generating strategy. Following this line of thought, one would expect the process of strategic planning to be formal and standardised. The content of the strategic plan would lean toward qualitative elements and measurable components. In addition, one would expect a clear link to the budgeting process – the budgetary cycle could even run in parallel to the strategic issues.

The following six schools of thought in the table pursue a rather descriptive way of strategy-making. Here, one could theorise that the implication for strategic planning would one of “learning to plan”. Companies need to develop the capabilities to think and plan strategically – they constitute a learning process and might entail a large amount of environmental scanning and adaptation. The content of the strategic plan itself would therefore be dominated by qualitative statements. Mintzberg himself is a supporter of the ‘Learning School’, favouring the process of so-called emergent strategies. In this approach, senior management continuously pays attention to the development of the organisation, thereby learning about processes that work and those that fail over time. It is with this learning experience that strategy should be derived and strategic planning practices follow directly from it. In addition, the learning approach allows strategists to deal with complex and turbulent environments – a process the author calls ‘logical incrementalism’.

The last school of thought, the configurational school, is Mintzberg’s (1990a) attempt to integrate aspects of the 9 preceding schools, thereby extracting specific advantages from each individual approach. Here, one could see implication for the strategic planning process as a mixed function: depending on environmental turbulence and economic
factors, companies can combine a mixture of formal planning essentials with flexible learning elements.

Contrary to Mintzberg’s ideas is Ansoff’s (1991; Ansoff 1994) support for the prescriptive views of strategy making, in particular the ‘planning school’. His belief is that formal planning is beneficial in both stable and unstable environments. Ansoff argues that rational decision-making is less time-consuming than Mintzberg’s somewhat experimental approach. Formalisation helps produce appropriate alternatives in times of rapidly changing environments, thereby preparing for different scenarios. This thinking is reflected in the process of organisational strategic planning by exercising strategic control over a set of possible alternatives derived in the strategic plan.

The peak of Mintzberg and Ansoff’s debate was in the early 1990s. This date represents the height of the rise of strategic planning. At the time, US academics as well as practitioners were faced with fundamental strategic issues such as the rise of the Japanese lean management style. It was only natural that the debate of how strategic planning should be conducted was at its pinnacle.

In his 1990 paper, Mintzberg (1990b) fundamentally criticises the prescriptive approaches to strategy formation. Essentially he refers to them as unable to adapt to changing environmental conditions. Another critical point in his view is that these schools of thought make false assumptions such as: “the role of conscious thought…. must not only take precedence over action but must precede it in time and correspondingly the organisation must separate the work of thinkers from that of doers” (p.181). Ansoff’s (sometimes emotional) response to Mintzberg’s article was defiant (Ansoff 1991). Not wanting to be “committed to the garbage heap of history” (p.449), the author attacks Mintzberg’s article in terms of methodological soundness and factual honesty. This was countered by Mintzberg as an attempt to “split hairs” (Mintzberg 1991:463), confidently stating that the score remains 1-0 in favour of his learning school.

The resolution of the Mintzberg-Ansoff debate is not easy to detect. The reason for this is that after all these years of promoting the need for strategic planning, its link to successful organisational performance has not been proven beyond a doubt. A famous attempt to resolve the Learning vs. Planning debate was made in 1999 by Brews and Hunt (Brews and Hunt 1999). The authors conducted a study of planning practices in
656 firms showing that both formal planning as well as incrementalism play a role in effective strategic planning, in particular in unstable environments. Indeed, the authors find that less planning is needed in stable environments. The environment is found to moderate planning abilities and flexibility, thereby highlighting the need for adaptable strategic plans in fast moving situations.

Another much debated controversy from writings in the 1980s and 90s is the duration of strategic plans. Depending on the environment the research was conducted in, authors recommend strategic plans ranging from one to two years to up to 10 years. Furthermore, the theme of who engages in the planning process received attention. Much like the ‘top-down’ vs. ‘bottom-up’ debate in the 1960s and 70s, planning was seen to be restricted to top management or, conversely, divisional planning was seen to be just as much strategic planning than planning that came from the top level.

The history of strategic planning has witnessed a somewhat cyclical development. A steep rise in the 1970s and 1980s, and a steady fall in the mid- to late 1990s. To synthesise past developments in strategic planning, it can be said that there are two broad areas, which empirical studies have focused on:
Firstly, “the impact of strategic planning on firm performance and the role of strategic planning in strategic decision making” (Grant 2003:492). This area will be further discussed in the next section of this chapter. The second area “explored the organisational processes of strategy formulation” (ibid). Authors such as Mintzberg and Waters (1982) and Pascale (1984) found evidence that showed little resemblance to formal, rational strategic planning processes. This stream of research contends that strategic decisions stem from a complex interaction between high level individuals and planning is thus an emergent process. This argument peaked with Mintzberg’s advocacy for the learning school (as described earlier in this section) against the traditional stream of research that favours rational, systematic strategic planning processes (Mintzberg 1991; Goold 1992).

While writings in the two areas are extensive, research has been “limited by the lack of empirical investigation of the phenomenon [strategic planning] itself “ (Grant, 2003: 492). This lack of empirical evidence together with changing environmental conditions, such as the internet boom, dot-com businesses and even faster changing surroundings led to a revival of the topic strategic planning. Authors such as Grant (2003) stated that
there is a knowledge gap concerning how little is known about the formal systems that formulate strategic plans. He further contends that rather than a decline of strategic planning in the late 1990s, the world has witnessed fundamental changes in the ways companies conduct their strategic planning. It is with this call for more empirical evidence that the idea for this study was born.

2.2 Taking a closer look at three decades of strategic planning literature

Over the last few decades, a variety of approaches, perspectives and models have been developed and used in strategic planning. There is no one best way to plan and factors such as culture, leadership, the complexity of the environment or organisational structure play a role in how a strategic plan is actually put together and executed. According to McNamara (2000), strategic planning models range from issue-based to goal-based and from organic to scenario planning. While goal-based planning is probably the most popular technique with its focus on a company’s mission and action planning on how to achieve this vision, organic planning deals more with action plans to achieve a certain goal while adhering to the company’s values and mission. One of the most philosophical approaches to strategic planning is Appreciative Inquiry (AI), which asserts that organisational problems are often due to our own perceptions and values. AI is a philosophy rather than a method and can be applied to a variety of situations in the organisational context. In its widest sense, AI looks for the best people, processes and standards in organisations, thereby extracting when and where a system is most effective (Cooperrider 1990). The concept came to life in 1980 through a project conducted by two researchers: D.Cooperrider and S.Srivastva (Watkins and Mohr 2001) at the Cleveland Clinic. It was the first site where AI was applied in the organisational context. The analytical process can be characterised by three steps: first, the best ‘what is’ situation is determined. In a second step, a vision of ‘what might be’ is created and finally, a dialogue between people affected is initiated to define ‘what should be’. The method through which these steps are achieved is communication and asking questions. The AI approach can be used in many organisational settings embracing the strategic planning context (Cooperrider, Stavros et al. 2003). Examples where companies have successfully applied the AI approach include SmithKlineBeecham (now GlaxoSmithKline) (Watkins and Mohr 2001) and the Green Mountain Coffee Company (2007).
The method of AI is somewhat similar to the learning school of strategy discussed. Both favour the idea of learning from past experiences and building on these learning experiences. Both propose that changing conditions affect an organisation and that learning from experience is the best way to plan for the future.

2.2.1 Planning as a Process

In established organisations, people involved in the planning process often already know what exactly their strategic plan has to entail. Some may even argue that the strategic planning process itself is more important than the actual document plan. Since the beginnings of strategic planning research, there has been agreement that strategic planning is a process (Burgelman 1994). This process decides how, when and who is going to plan and how the results will be implemented. However, authors disagree as to the exact components and structure of this process. What most have in common is that they argue that planning has primarily an informational role (Steiner 1979; Mintzberg 1979b).

Steiner (1979) states that planning links three major types of plans: master strategies, medium-range programmes and short-range budgets. The strategic process therefore begins with setting organisational aims, developing strategies about how to achieve them and then refining these strategies with detailed action plans. Steiner emphasises that planning is continuous but not an everyday phenomenon in firms. Nevertheless, plans need to be reviewed and/or amended on a regular basis to respond to changes in the environment.
Figure 3 shows planning as a systematic process. The diagram is very generic in that it does not point out where different functions and divisions might be involved. Quite importantly, it points out the three major sections of the process: premises, formulating plans, implementation and review. Based on his structure of planning, Steiner goes on to present a conceptual model for large, medium and small firms that deals with the steps towards a successful strategic plan.

In his influential article on strategy formulation, Mintzberg (1973) identified three planning modes: entrepreneurial, adaptive and planning. This publication even at that time pointed towards a move that was to intensify in later years: away from the analytic, data-based, formal planning process towards a value-based, incremental approach (Wheelwright 1984). In the latter, a set of beliefs and convictions about how the firm conducts its business and the collective understanding of managers is key to successful planning. These values may even override the concerns for functional divisions.

Capon, Farley et al. (1987) explore the nature of strategic planning and contrast a so-called functional approach with the process approach. The authors propose that the
The functional approach (why planning is conducted) can be explained on two levels: the *adaptive* dimension and the *integrative* dimension.

The adaptive dimension relates to the co-alignment of the organisation and its environment. Under the adaptive aspect, a series of decisions determines the future alignment of the firm. These decisions are made in certain contexts. First, an environmental analysis is required as the early recognition of trends is a prerequisite for developing anticipated responses (Reinhardt 1984). Another aspect is the emphasis on fairly long time horizons in adaptive planning (Mintzberg 1973). In addition, adaptive planning causes the generation of alternatives, flexible ideas and contingency plans. Other characteristics of adaptive planning include a focus on internationality (if applicable to the company), resource allocation, portfolio planning and the generation of investment criteria.

The integrative dimension of functional planning, which should be balanced with the adaptive dimension, is concerned with continuously adapting to the environment. In the quest for diminishing threats, integrative planning involves a unity of functions or divisions that all work towards achieving the organisation’s goals (Lawrence and Lorsch 1967). Methods of achieving integration in planning include efficient communication flows, evaluation systems and teams/committees. Short- and long-term goals are both considered and the depth of communication is key to success. Another focus of the integrative dimension is the role of certain functions within the organisation, such as the CEO, business unit managers and planners (where that function exists). Jennings (2000) in his study on the company PowerGen applies adaptive and integrative thinking to strategic planning and shows how the organisation shifted from uncoordinated, ineffective planning to flexible scenario planning and forecasting. PowerGen is a UK based utility company that had to deal with the change from a nationalised industry to a deregulated, competitive, fast-changing environment. The planning problems related to this change came about after the company’s privatisation in 1991 as well as profitability problems in 1993-4. Prior to privatisation, PowerGen’s strategic planning process was centralised at the corporate level and helped determine funds available for the company’s power stations. The process sometimes experienced timing problems with one planning cycle getting delayed, thereby overlapping with the next planning round. After privatisation, the planning process remained central but scenario planning was introduced. Here, each division forecasted possible scenarios, particularly taking the competitive field into account. The development of the company’s planning procedures
can be “seen as embodying change in the system’s orientation between adaptation and integration” (Jennings 2000:214). Its nowadays formal, yet flexible planning strategy enables the company to deal with issues as they arise. In addition, the case of PowerGen illustrates the need for an appropriate commitment to the planning process throughout the organisation. Dedication and participation in scenario planning are essential characteristics for the success of the process. Elements of PowerGen’s story speak about the learning process within strategic planning, not much different from Mintzberg’s Learning School as described in Section 2.1 of this chapter.

According to Capon, Farley et al. (1987) the second approach to strategic planning is via the process approach. Simply put, the planning process involves the following variables: input → process → output, where input represents the prerequisites for planning such as an information base. Process is defined by the actual planning activities (such as divisional meetings) and the planning environment. Planning output includes process output and company performance. The authors conclude that a reconciliation of the functional and process approaches to planning is the most desirable method of strategic planning. Depending on the perspective one takes, certain elements of the two approaches overlap.

Similarly to Capon, Farley et al. (1987), Schendel and Hofer (1979) discuss the strategic planning and formulation process. The authors acknowledge the disagreement that exists within the literature as to the components of the planning process but see certain recurring elements that most academics mention, such as environmental, resources and value analysis.

As outlined in section 2.1, the most influential writings on the topic of strategic planning stem from the 1970s and 80s. It is of no surprise that the actual planning process received the undivided attention of academic scholars. In discussion of the management of strategic adaptation, Chakravarthy and Lorange (1984) declare yet another two distinct sets of planning processes: adaptive generalisation and adaptive specialisation. While the first aims at preparing the firm for strategic responses to future environments, the latter seeks to fine-tune the strategies of the firm to achieve a better fit with the current environment. The authors thus boil the debate down to exploring new knowledge versus exploiting existing knowledge. This idea is similar to March (1991) who
considers “exploration of new possibilities and the exploitation of old certainties” (p.71) in organisational learning. The author models organisational process knowledge, finding that ‘exploration’ is the learning between organisational actors whereas ‘exploitation’ is the learning of competitive advantage in organisations. His study finds that a common pitfall is to over-concentrate on the issue of ‘exploitation’, which in the long run will be outweighed by the positive effects of ‘exploration’.

The process approach to planning has continued to attract interest until fairly recently. Using information processing theory, Rogers, Miller et al. (1999) try to understand the planning-performance relationship in the context of strategy. Regarding organisations as information-processing entities, the authors state that a firm is dependent on a combination of “decision processes, structure, and the environment of that firm” (p.568). In other words, the firm’s strategy dictates the information-processing prerequisites that need to be fulfilled by the information capabilities of the firm’s strategic planning system. Sampling 292 banks in the United States, the authors found that company strategy matters in that it influences the link between planning and performance. In addition, the study concluded that the differences in strategy result in different strategic planning processes.

While the literature tries to emphasise that strategic planning really is a process, it is also undeniably about formalisation. In a way, the planning process could be ‘decomposed’ into concrete parts that follow each other step by step (Mintzberg 1994a).

### 2.2.2 The role of the environment

A common denominator in all of the early writings on the planning process was the role of the external environment of the organisation. At the beginning, mere economic forecasts were used to plan for the future. With the increasing complexity of globalisation as well as fierce competition among firms, the role of the environment became a crucial factor in strategic planning, which received attention from scholars and practitioners alike (Brews and Hunt 1999).

In one of the most recent contributions, Grant (2003) reports on strategic planning in the oil industry, which is characterised by a turbulent business environment. His study explores whether and how strategic planning systems have developed in an environment
of increasing uncertainty. Grant states that while high-velocity environments might make formal planning difficult to practise, the downfall of strategic planning as an activity would be an exaggeration. Grant’s review shows that attempts to change the nature of strategic planning have been made. These include scenario planning, clarifying strategic intent and vision as well as strategic innovation to avoid inertia. The author further criticised the indicators used in strategic planning research, which could be the reason for mixed findings: “(…) even multiple indicators may fail to recognise the characteristics of overall strategic planning configurations and their links with other processes of decision making and control” (p.495). Grant’s analysis of eight oil companies reveals findings that could reconcile the ‘learning’ vs. ‘planning’ school debate. Strategic planning processes have become more decentralised and informal in recent years while planning time horizons, in line with fast changing environments, have become considerably shorter. Planning has become less of a rigorous, specific plan to be implemented than a goal-driven exercise. Planning has become a process of “planned emergence” and provides a “mechanism for coordinating decentralised strategy formulation” (p.491). Despite the article’s positive findings regarding strategic planning adaptability, the study concludes that we still know little about the reality of strategic planning in companies: “the vivid caricatures presented by each side(…)of strategy-making bear little resemblance to the realities of strategic planning as pursued by large companies during the late 1990s” (p.512).

In 1980, Bourgeois (1980) wrote about strategy and the environment. The author sees objective and perceived states in the organisational environment that influence the way that firms tackle their strategy (both content and process related).

Jarvidan (1984) discusses the impact of environmental uncertainty on long-range planning by way of the example of the US savings and loan industry. In extreme, uncertain surroundings the role of top management is seen as the crucial moderator in the link to strategic planning. The symbolic, responsive and discretionary roles of management contribute towards successfully adapting the organisation to its environment.

The characteristics of the organisational environment were also at the core of Lindsay and Rue’s (1980) work on long-range planning. Their research analyses the external and
internal environment of organisations, which yields physical, cultural and technological components that characterise a firm’s environment. The authors found that the more complex and unstable the business environment, the more firms adopt formal, complete, long-range planning processes.

Their findings are similar to those of Eisenhardt and Bourgeois (1988) or Brown and Eisenhardt (1994). Their studies show that formal strategic planning has a positive effect in unstable, turbulent environments.

In 1988 De Geus published a popular study of Shell’s planning processes and concluded that planning simply meant changing minds. Shell, at the time, was one of the most successful oil majors (and arguably still is today). The company’s key to success was its ability to switch from a survival-mode in turbulent times to a much slower pace in self-development when times were more stagnant. For De Geus, planning meant learning. Institutional learning at Shell was triggered by scenario planning and through the communication of understandable and easy-to-relate-to strategic goals.

A trend that should be emphasised at this point relates to the way organisational restructuring has influenced strategic control in companies. Ruigrok, Pettigrew et al. (1999) look at organisational restructuring which refers to internal people, processes and standard procedures. The authors use nine restructuring variables in their European cross-national study of new forms of organising and witness, amongst other things, a trend of decentralisation in operational and strategic decision-making. While there are differences between countries – “German-speaking and Northern European firms report the highest pace of decentralising their strategic decision making” (p.51) – the message is clear: there is a strong trend towards decentralising operational decision making and, to a lesser extent, strategic decision making. These findings link directly to the current thesis work, which considers the role of business units versus the corporate centre in the strategic planning process.

### 2.2.3 Linking strategic planning and organisational performance

While strategic planning effects require a much more subtle analysis, many scholars (and practitioners) are ultimately interested in superior (financial) performance.
One of the first studies that linked formal strategic planning to financial performance was Thune and House’s (1970) examination of 38 firms in 6 industries. The authors confirmed a positive relationship between formal planning and financial performance. However, when taking a closer look, only formal planners in three of the focus industries consistently outperformed their informal rivals, thus leaving three industries where no link could be proven. Their study sparked a controversial debate among scholars and resulted in the emergence of two schools of thought. Some authors contend that better results follow on from formal strategic planning than random guesswork (Armstrong 1982) and that planning systems evaluate threats and opportunities while providing a control mechanism (McKiernan and Morris 1994). Others argue that formal planning results in too much rigidity (Miller and Cardinal 1994), thus reducing organisational creativity and creating an environment insensitive and inflexible towards change.

An influential article was published by Boyd (1991), who acknowledges the mixed findings of the planning – performance link. The author set out to shed light on this unclear connection, therefore defining two goals in his study: first to conduct a meta-analytic review of previous research on the topic and second to demonstrate measurement errors in previous studies. Boyd finds that the “overall effect of planning on performance is very weak” (p.362). Findings suggest that measurement errors are artificially created by combining estimates from individual studies. Studies tend to base their findings on a relatively small sample size, thereby underestimating the true relationship between planning and performance.

In 1998, Boyd, together with Reuning-Elliott, further explored the topic when trying to establish an applicable measurement model for strategic planning (Boyd and Reuning-Elliott 1998). The authors state that the construct of strategic planning has not only been used when testing the planning-performance relationship but also when measuring competitive advantage, strategic decision-making and generic strategies. It is thus an important concept that the authors explored in their study of the health care sector. Their research tests for dimensionality, internal consistency, criterion validity and generalisability. The authors conclude that strategic planning can “reliably be measured by 7 indicators: mission statement, trend analysis, competitor analysis, long-term goals, annual goals, short-term action plans, and ongoing evaluation” (p.189). This leads them
to deduce that the findings of previous studies actually underestimated the true relationship between planning and performance due to “crude levels of measurement and lack of parsimony” (p.181). While this article constitutes a commendable attempt to develop a comprehensive measurement model of strategic planning, its shortcomings should not be overlooked. Some statistical results demonstrate that not all measures are reliable as, for example, the indicators ‘trend analysis’ and ‘competitor analysis’. These indicators show relatively low reliability estimates that shed doubts over their predictive utility. In addition, the authors themselves admit to lacking rigorous construct validity in their construct of planning measures.

Preceding Boyd’s 1991 article, Pearce, Freeman et al. (1987) conducted a critical review of 18 studies into the planning-performance controversy. They also found methodological inconsistencies that may have led to findings being distorted in the past. In addition, they were concerned about the lack of consistent definition of strategic planning, thus casting a shadow on the validity of measuring the construct. Historically, the first attempt to consolidate empirical research on the planning-performance relationship was conducted by Armstrong (1982). He concluded that the link was largely a positive one and that any deviation was due to lack of methodological rigour.

One of the most influential reviews in this field was conducted by Miller and Cardinal (1994), who developed a contingency model that tries to explain the inconsistent findings in the planning-performance relationship. The authors used meta-analysis and multiple regressions to test their model, identifying contingency variables such as turbulence and capital intensity. They found that strategic planning positively influences company performance and that once again methodological errors are responsible for divergent findings.

One of the most recent meta-analytic reviews was carried out by Shea-VanFossen, Rothstein et al. (2006). The authors examined 39 studies that focused on the relationship between planning and economic measures of performance and found a small yet significant link. The goal of the above study was not only the magnitude of relationship between planning and performance, but also the effect of study design characteristics. The mixed results of individual studies could be explained by individual company characteristics and deficiencies in methodological design. Inconsistent definitions of the term ‘strategic planning system’, the effect of publication bias and lack
of methodological rigour once again overshadowed Shea-VanFossen, Rothstein et al.’s (2006) findings. One major lack in the author’s otherwise thorough piece of work is that meta-analysis can only confirm the link between the variables strategic planning and performance. It does not, however, explain causality. In addition, while the authors criticise publication bias, they themselves are subject to one, namely that the studies included in their review were only those written in English. Including studies published in other common languages could substantially increase the number and thus influence findings in the field.

Kukalis (1991) sampled 115 large manufacturing firms, looking at the relationship of four design parameters of planning systems and five different company and environmental characteristics. His findings confirm that an effective planning system should be designed in such a way that the specific situational setting of the firm is reflected in the design.

This thinking is also reflected in Frederickson’s (1984) and Frederickson and Iaquinto’s (1989) research. The authors found formal planning to be best suited for stable environments and incrementalism for unstable environments.

Powell (1992) takes the debate to the next level by reviewing over 40 studies in the planning-performance literature and concluding that, while planning might produce economic value, it is easily imitated and may not be sustainable. This in turn also means that planning does not create competitive advantage.

Overall, it seems that the stream of divergent findings in the planning-performance link is only consistent in that research finds the link is not as clear as one might like to think. Repeatedly, authors report measurement errors, a lack of methodological rigour and the difficulty of measuring the strategic planning construct. What might add to the complexity of the strategic planning construct could be related to the fact that we still know very little about how and why firms engage in strategic planning in reality (Grant 2003).

2.2.4 Strategic planning and other themes
As mentioned earlier, authors have pursued a variety of topics in strategic planning. One area has been the specificity of strategic planning in small and medium-sized enterprises (SMEs). One of the first publications that recognised the importance of looking at small
businesses was Ackelsberg and Arlow’s (1985) study of 135 small businesses in the US. They found that overall planners outperformed non-planners. However, the authors also found that too much formalisation in the strategic plan could actually lead to negative organisational results.

Berry (1998) investigates how feasible strategic planning in a turbulent environment is for small firms. She found that entrepreneurs seriously put their businesses at risk by light-heartedly dismissing strategic concerns. Similarly, Schwenk and Shrader (1993) find that strategic planning is a beneficial activity for small firms. Their meta-analytic review confirmed a positive and significant relationship between formal planning and performance in SMEs. Contrarily, McKiernan and Morris (1994) suggest that formal planning systems in SMEs are not associated with superior performance.

Berkley and Nohira (1992) conducted an empirical study of planning processes at a small biotech firm: Amgen. It illustrates the changing roles of strategic planning at small companies. “In the beginning, producing detailed long-range plans was an important way Amgen could signify its worthiness to investors” (p.6). Without a thorough strategic business plan the company would not have been able to attract potential investors. Their need for capital was high and the strategic plan was a way to signal to capital providers how serious management was about bringing this company forward. Many critics predicted that Amgen would not stand a chance as a biotech start-up to deliver accurate financial projections. The critics were wrong. Over the years, the role of the strategic plan as a way of attracting capital ceased, and gave way to the role of becoming a corporate action plan. Even though product innovations and breakthroughs cannot be planned, the strategic plan provides a mechanism that allows all employees to be on the same level of information. The role of the strategic plan thus evolved into an action plan and progress report.

Recent topics in strategic planning have been quite creative. Burgelman and Grove (1996) ask themselves what happens when no alignment between strategic intent and action can be achieved. The authors label this situation strategic dissonance. Dissonance may signal impending industry and corporate transformation, in other words a strategic inflection point. Sources of strategic dissonance could be the divergence of the rules of competition and distinctive fields of activity or a divergence between stated strategy and strategic action. For years, Burgelman has been working with Intel, and its corporate strategy development was also reported in the 1996 study. His article builds on his
previous work with the company where he discusses the issue of strategic business exit (Burgelman 1994). His comparative study of Intel and forces that drive exits in dynamic business environments focuses on two periods: between 1984-85, when Intel decided to exit the DRAM business and in 1991 when they actually implemented this decision. As one might guess intuitively, strategic change is clearer in retrospect than when it is happening, especially in high velocity environments. Much emotional attachment existed within Intel to the DRAM business line, which led to an almost paralysed internal environment at Intel. Strategic exit has implications for the firm’s distinctive fields of activity and for its market position, and initial inertia needs to be carefully overcome by an efficient implementation process.

Intel’s story is directly linked to Burgelman and Grove’s idea of strategic dissonance (1996). Dissonance is “strategic when it signals impending industry or corporate transformation” (p.9). It was the process whereby Intel’s top management realised that the company had moved from a memory manufacturer to a microprocessor company. It was at that point that the company found itself at a strategic ‘inflection point’. Especially in fast moving industries it is not always easy for a company to detect when it has reached an inflection point such as a new technological standard. Managing strategic dissonance, as becomes clear from Intel’s case, is the need for strategic recognition, such as the ability of top management to determine a strategic inflection point and then provide the company with guidance as to how to deal with the change. The strategic planning process forms a mechanism by which this transformation can be dealt with. On a different level the planning process itself is affected by a strategic inflection point. The iteration of the planning process routine supports the implementation of change as a step-by-step process.

At the beginning, strategic inflection points need vision set by the company’s leadership. In a next important step this vision needs to be turned into actions. At Intel, top management encouraged a debate that they called ‘constructive confrontation’ between people at different levels of the organisation. New ways to shape the company were explored and supported by Intel’s dynamic organisational culture. It also had a direct effect on the strategic planning system of the company, which had to be completely renewed once the change had been detected.
2.2.5 How strategic planning should be done – some ideas from the literature

While planning processes may vary between industries and firms, there are a number of recommendations as to how strategic planning should be done. Mintzberg, in his book ‘The Rise and Fall of Strategic Planning’ (Mintzberg 1994d) as well as his article on the same topic (Mintzberg 1994c), puts forth the idea that planners should not be the ones who create strategies. Planning is concerned with supplying data and collecting necessary information to create a vision. Behind this thought lies Mintzberg’s belief that strategic planning and strategic thinking are not the same thing. Planning is really an analytical activity while strategic thinking involves intuition and creativity. Mintzberg points out the ‘fallacies’ of planning. The first one is the fallacy of prediction, by which he refers to the assumption that the world stands still while implementation plans are in progress. The organisational environment – especially the competition – does not wait for formal meetings to take place or for plans to be approved. Another fallacy is the one of detachment. Planners are planners, and managers are managers. Both exist to do their job, but in reality they are either both the same or rely on each other to develop an efficient strategic plan. The final fallacy is the one of formalisation. Formal systems, especially mechanical ones, work just as well as human beings. Clearly, formal systems could never internalise or comprehend information; it is the people within the system who synthesise information. How then should planning be conducted?

Mintzberg’s following guidelines may be of help. Planning as strategic programming: in Mintzberg and Waters’ (1982) study about a Canadian supermarket chain, the authors found that planning can be used to elaborate a strategic vision that the leaders of the company already had. Planning was more a step-by-step process that showed how to get there. Plans as tools to communicate and control. Plans can help internalise a new programme, budget or culture. But also influential outsiders might be convinced by a new strategic plan or goal. Planners as catalysts. A somewhat idealistic vision; planners as catalysts for new, creative strategic ideas that might arise when conventional assumptions are challenged.

Recently, strategic planning practices have received an increased amount of attention by practitioners. Mankins, a managing partner at Marakon Associates, has published a series of articles on the topic (Mankins 2004a; Mankins 2004b; Mankins and Steele 2006). His bold statement is that strategic planning no longer matters because it does not drive the overall strategy of companies. This is a very debatable statement since it presumes that strategic planning is in charge of devising corporate strategy. However,
his thoughts on the planning process itself are notable and a lot less inconsistent: he claims that most companies nowadays run strategic planning as a kind of ‘batch’ process, according to a predetermined calendar, and BU driven. What he suggests, however, is that planning practices should move towards being more continuous and issue-driven. Essentially, there are two problems with traditional planning practices: one is the predicament of time. Mankins (2004b) claims that other organisational processes such as financial planning and administrative issues take away precious time that should be dedicated to strategic planning. The other issue relates to the problem of timing. The author believes that most companies are ill equipped to deal with unforeseen environmental changes that effect the strategic planning cycle. His advice is to move to a more continuous model of strategic planning, whereby outputs do not have to be in the form of a planning document but rather a set direction for the company, together with an accompanying agenda. In addition, he encourages clearer accountabilities: each item on the strategy agenda should be assigned to an individual responsible for it.

While Mankins’ work is very practically oriented, it lacks a certain theoretical grounding. His analysis and recommendations are based on working experience and might be helpful when relating this study’s findings to business practice. However, for the purpose of academic background, Mankins’ contributions remain of limited value.

In 2003, two McKinsey consultants published a study of 80 companies and their strategic planning processes (Kaplan and Beinhocker 2003). The authors describe what they call the ‘real value’ of strategic planning. They acknowledge that strategic planning is hardly the source of creating corporate strategies. However, they find that strategic planning can indeed be a source of competitive advantage by creating ‘prepared minds’. The goal for any good strategic planning process should therefore be that “key decision makers have a solid understanding of the business, share a common fact base and agree on important assumptions” (p.72). The authors give a practical guide to creating prepared minds by suggesting who should actually attend strategic meetings, how long they should last and what exactly should be discussed. While these guidelines are very generic they show that planning is by no means dead, and can “help managers make solid strategic decisions in a world of turbulence and uncertainty” (p.76).
2.2.6. Strategic planning today – closing the research gaps

Having analysed the historical development of strategic planning literature it becomes clear that there are two broad areas of empirical investigation: one is the impact of strategic planning on firm performance, with particular focus on how this performance may vary in different industries and environments. The second area explores the organisational processes of strategy formation. At its core lies the debate on whether strategic planning is the result of a planned, formal process or whether it is a process of emergence characterised by learning over time. These two areas have been limited by the lack of empirical investigation of the phenomenon itself. How is strategic planning actually carried out in companies and day-to-day operations? The planning vs. the learning school debate might suggest that the features of planning systems must be fundamentally different. Either they are a result of formal, structured convictions or learned emergence. Whichever way, the implication is that the planning process should be vastly different across companies depending on which belief they incline towards.

An additional limitation that is characterised by limited knowledge is the involvement of different parties in the strategic planning process. Burgelman (1991) calls for more studies in the strategic planning context that explore the role of the corporate centre as compared to other representatives from various organisational levels.

The third gap in the literature concerns the lack of a comprehensive theory or framework that allows us to understand and locate the real phenomena of strategic planning. What is needed is a wider set of theoretical frameworks to uncover relevant characteristics of strategic planning.

With these limitations of the existing literature in mind, this study will identify threads in strategic management literature that will help deduce a comprehensive framework. This framework will be used to develop testable propositions to show how strategic planning is conducted today, and which key organisational actors are involved in the process. The field data gathered in the empirical study will serve to test, to some extent, the validity of the framework. Similar to Burgelman (1991) the underlying theories will be chosen “without knowledge of the confirmatory value of the case studies” (p.242).

While this study is not intended to serve as a test for strategy making, it does offer confirmatory support for the differentiating characteristics of strategic planning processes.

With the background of existing strategic planning literature it has become clear that there is no one theoretical background that serves to explain the phenomenon. What this
study intends to do is identify new theoretical aspects that can be used eclectically to enhance and change our understanding of strategic planning processes. In this context, theories from substantive areas will serve to analyse strategic planning as a crucial organisational process – in other words a move toward theory-building.
3 Propositions

The previous chapters have set the scene and background imperative for the following discussion. The writings of the past decades all analyse different aspects of strategic planning systems: considering different environments, using creative new approaches to old processes, and establishing a link between strategic planning and organisational performance. However, the literature review has pointed to a number of gaps that need further explanation by approaching this research topic from a different angle. Fundamental questions are either being disputed or remain completely unanswered: What exactly is the purpose of strategic planning and how do companies plan in real life? These research questions appear to be extremely practical, and if answered could even hope to improve practice in the business world. However, there is a somewhat unwritten law in management research that the more practical research questions become, the more complex implications for academic research are. In other words, a synthesis of research fields is needed to answer seemingly simple research questions.

It is the aim of this chapter to develop a number of propositions that this study will address consecutively. An approach to various propositions will be developed via different theory lenses, some of which have never been applied to the topic of strategic planning processes. The reason for employing a spread of distinct academic domains is designed to do the complexity of the research questions justice. It is important at this point to state that the use of different theory lenses is not meant to give a thorough review of each theory and its background. This would be beyond the scope of this work. A short review will not aid in encompassing an in-depth understanding of the theories in question. Rather, it will serve to underline the complexity of strategic planning systems and help better understand the phenomenon.

The chapter starts by selecting appropriate theory lenses as well as a brief discussion of each selection (3.1). In section 3.2 a theoretical research framework will be presented that will guide the deduction of testable propositions. Section 3.3 is split into three parts. In the first part (3.3.1) the first theory lens – the resource based view and dynamic capability approach – is reviewed and applied to the strategic planning context. Consecutively, appropriate propositions are derived. The same structure holds for parts 3.3.2 and 3.3.3. Respectively, these discuss the institutional theory lens and its application to the strategic planning context as well as the organisational routines approach and its application to the strategic planning context.
3.1 Selection of appropriate theory lenses

This study is interested in researching a particular process in organisations, namely, the strategic planning process. Organisations are highly complex phenomena that offer a variety of research possibilities. In the context of studying organisations, there are a number of theories that can be used to explain the plethora of phenomena (Lawrence and Lorsch 1967). However, selecting an appropriate theory is not always a clear-cut process. Sometimes, only certain aspects can or should be used as a theoretical basis to achieve best possible explanations of organisational phenomena. Therefore, assumptions, constructs and explanatory power of theory must be in accordance with the research subject.

Due to the importance of choosing an appropriate theory, the following section carefully considers a selection of theory lenses that appear to be promising in this study’s context.

3.1.1 Criteria for theory lens selection

The predominant driver in theory lens selection must be the purpose and main characteristic of the study itself. The focus of this study is the strategic planning process or system in organisations. The aim is to find out how and exactly why companies plan strategically, and how this affects their ability to introduce new business ideas for growth and development in the future. A suitable theory lens must therefore fulfil the following criteria:

1) **Suitable conceptualisation of an organisational process.** The theory should consider the organisational, processual element of strategic planning: a sequential piece of action that is conducted by rationally thinking individuals. The steps of the process can be seen as separate or interactive, but the process itself should yield explanatory power in the theory.

2) **Contextual relevance and adaptability.** As this study intends to look at organisations from different fields, theory lenses should be able to adjust to different environments. This means that the theory chosen should not make assumptions on stable or unstable environments, and should adapt to different situational contexts.
3) **Well-respected, established theoretical base.** Using established theory has the advantage that it is well-respected by academics. The more established the theory the more it has been tested through history and is therefore stable. A sound theoretical basis can stand alone, but can also be adapted to the practical relevance of a topic.

**Figure 4: Selection criteria for theory lenses**

1) Conceptualisation of process  
2) Context relevant/ adaptable  
3) Established theoretical basis

Source: Author

**3.1.2 Theory lens selection**

Combining profound, established theoretical threads in an effective manner needs careful selection. As one of the core criteria is to build on established, traditional theories, a short review of the basics will certainly do no justice to the complexity of established management science theory. Indeed, this is where the selection of a ‘theory lens’ rather than a full theory becomes relevant. For the purpose of this study it will be sufficient to draw from the base of a particular theory rather than reviewing and applying selected theories in full. In other words, the main characteristics of a theory will be reviewed in the strategic planning context as if considering a problem’s dominant issue by looking through an ‘optical lens’.

There is a plethora of theory focusing on the science of organisation: principal-agent theory, network analysis, institutional theory and transaction cost theory, to name a few. In the context of strategic planning systems and of the three criteria described above, three theory lenses were selected for the purpose of this study:

- Resource-based view/dynamic capabilities  
- Institutional theory  
- Organisational routines approach
Each of these theories was subject to the selection criteria, and will be reviewed later in this chapter when each theory lens is critically examined. For the purpose of illustrating the selection process, a brief overview and test of criteria is considered below.

### 3.1.2.1 Resource-based view and dynamic capabilities approach

According to Priem and Butler (2001), one of the most influential articles ever published is Wernerfelt’s 1984 contribution entitled ‘A Resource-Based View of the Firm’ (Wernerfelt 1984). In addition to Porter’s concept of five forces in designing strategy (Porter 1980), the article set the stage for numerous strategy authors who wrote about sustainable competitive advantage, one of the key goals of any organisation. The analysis of a firm’s internal strengths and weaknesses is the core idea of the resource-based view (RBV). The rapid diffusion of RBV is evidence of its relative objectivity and consistency (Peng 2001). However, there are also those that doubt RBV’s explanatory power. Priem and Butler (2001) argue that while RBV can be called a ‘perspective’ or a ‘view’ it should not be seen as a stand-alone theory. The authors criticise its conceptualisation and its static nature. This, however, is contradicted by Barney, Wright et al. (2001) who state that RBV has influenced strategic management in the last decade unlike any other theoretical approach. With the introduction of the dynamic capability concept, a vigorous component was added to RBV. As managers seek sustainable competitive advantage, they create an organisational system to increase the productivity of the resources they acquire. Their capabilities are dynamic in the sense that they can easily adapt to the given organisational environment. What RBV admittedly lacks is the power to conceptualise processes (Miller and Shamsie 1996). The issue is seen as a kind of ‘black box’ (Priem and Butler 2001) in that RBV literature often states the usefulness of resources without paying attention to when, where and how they might be effective.

### 3.1.2.2 Institutional theory

The beginnings of institutional theory lie in the 1970s, raising research questions such as why organisations of the same type in different locations resemble one another, or why specific structures and practices diffuse throughout different organisational settings. Since its beginnings there are a variety of concepts and arguments that are employed in the institutional context. The common theme is that all place importance on regulative,
normative and cognitive norms and value whereby an organisation exists. To synthesise the various research streams in this field, one can classify a number of dimensions. One body of research, notably one from the early days is how institutional fields emerge (Meyer and Rowan 1977). The next dimension would be the source of institutionalisation such as regulatory frameworks, professional associations or the organisation itself (Zucker 1987). Other authors concentrate on the dimensions of underlying dynamics such as isomorphism, convergent processes and inertia (Tolbert and Zucker 1983; DiMaggio and Powell 1991). Finally, there is the dimension of the organisation itself. An organisation can react to its external environment as well as to internal structural changes (Scott 1987). Another distinction can be made in terms of the locus of institutionalism (Zucker 1987). For one, there is the environment as institution approach, focusing on processes of imitation. Conversely, there is the organisation as institution approach, which deals with the generation of processes on the internal organisational level. This is exactly where the process of strategic planning fits in. Institutional theory acknowledges the role of internal organisational processes and actors thereby placing emphasis on organisational practices such as formal strategic planning.

3.1.2.3 Organisational routines approach

While the organisational routines approach is not a self-contained theory it holds a firm place and theoretical grounding in the analysis of organisations (much like RBV). Routines as a central unit of analysis present a powerful mechanism to describe organisational processes and change. However, getting a good grasp on routines and analysing their effect on organisational outcomes is rather disputed in literature (Becker 2004). The underlying theoretical concept of organisational routines is the notion of patterns. They acknowledge recurring actions in organisational activities. Routines are of a collective nature meaning that they normally involve a number of people. They are of a highly processual nature and can be embedded in various environmental contexts (Pentland and Feldman 2005). All of these characteristics make it a suitable theoretical base for analysing strategic planning systems.
Figure 5: Evaluation of theory lenses

<table>
<thead>
<tr>
<th>Conceptualisation of process</th>
<th>RBV and Dynamic Capabilities</th>
<th>Institutional Theory</th>
<th>Organisational Routines</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Black box’ but attempts towards improvement</td>
<td>Normative and cognitive dimension emphasise process element</td>
<td>Processual nature of routines at core or theoretical basis</td>
<td></td>
</tr>
<tr>
<td>Approach can be adapted to many organisational contexts</td>
<td>Core of Institutional Theory: how and why organisations adapt to context specific elements</td>
<td>Routines are context-embedded</td>
<td></td>
</tr>
<tr>
<td>Even though not a theory itself, RBV has solid theoretical base</td>
<td>Widely acknowledged and respected theoretical base</td>
<td>Strong theoretical base but not self-contained theory</td>
<td></td>
</tr>
</tbody>
</table>

3.2 Theoretical research framework

Having identified appropriate theory lenses and the research gap, it is crucial to derive a theoretical framework that will enable the deduction of testable propositions.

The interest of this study is to analyse the strategic planning process in international companies with its resulting phenomena – the rationales and actors behind strategic planning as well as the role this process plays in organisations. The three theory lenses explained before are drawn upon in an eclectic spirit and have been evaluated regarding their explanatory value. Combining these threads results in the following theoretical framework:
The left hand side of the diagram describes the contextual factors of the three theory lenses in relation to strategic planning. Each theory poses a set of causes and characteristics relevant for the strategic planning process. Theses antecedents are hypothesised to have an impact on the planning process and in particular its rationales, its actors and the actual procedure. Reasons for the existence of the organisational strategic planning could be its role and therefore importance. It could be a way of communication between the corporate centre and the divisions but could also hypothesised to be a strategy development tool as advocated historically in strategic planning literature. Another detail that could potentially be influenced by the antecedents is actual planning procedure. Issues such as timing, duration and formality
pose examples. The rationales, actors and processes of strategic planning are causally linked in the framework to the outcomes of the planning process. These are thought to be the documentation of the strategic plan, the plan’s quantitative and qualitative information, the quality of the planning process and how the company should deal with any unforeseen events.

3.3 Theory lens I: resource based and dynamic capabilities approach

The resource-based view of a firm (RBV) has experienced a rapid diffusion throughout strategic management literature (Priem and Butler 2001). While Wernerfelt (1984) coined the term in 1984, and despite writings in the late 1950s (Penrose 1959) that argued that a firm is a combination of productive resources, many see Barney (1991) as the father of RBV. The latter states that RBV examines the “link between a firm’s internal characteristics and performance” (p.101). A firm’s aim must be to achieve competitive advantage over its competitors, which it ideally derives from valuable resources that are superior in use, hard to imitate and difficult to substitute. According to Barney (1991) resources can be classified into three categories: physical capital resources (Williamson 1975) such as plant and equipment, human capital resources (Becker 1964) such as training relationships and experience, and organisational capital resources (Tomer 1987), for example, reporting structure, formal/informal planning and controlling. For firm resources to be the source of a sustained competitive advantage, they must pass the VRIN (V= valuable, R=rare, I= imperfectly imitable, N= (non-) substitutable) test (Barney 1991). Resources can occur in different forms such as patents, relationships or processes. Resources that pass the VRIN test are difficult to find. Often, they merely pose an obstacle that competitors can overcome with time, but are not inimitable in the long-run. An additional problem is posed by the next logical step: once a resource has passed the VRIN test, does the organisation have the capability to take advantage of them?

In line with this thought Barney (1991) stipulates that formal strategic planning on its own will hardly be a source of a sustained competitive advantage. Virtually all major corporations throughout the world possess a formal planning system (Steiner 1979; Armstrong 1991; Burgelman 2002; Baker 2003). Even though details may not be
entirely made public knowledge it seems likely that any firm wishing to implement a formal strategic planning process would be able to do so. The resource ‘planning process’ is thus prone to be highly imitable and a process that can be hardly classified as ‘rare’. However, Barney (1991) further argues that the contrary is applicable for informal strategic planning. Informal planning can occur parallel to the formal process simply by top management engaging in unofficial talk. In contrast, a few firms have chosen to do away with all formal procedures, thereby implementing an emergent and autonomous approach to strategic planning (Mintzberg and Waters 1985). Shell constitutes a prime example: the company sees strategic planning as a learning process and refrains from formal frameworks as much as possible (De Geus 1988). In the past, some authors have perceived companies possessing strategic planning processes as having a competitive advantage over those companies that do not plan (Shea-VanFossen, Rothstein et al. 2006).

More recently, the debate has moved on to a dynamic capability approach. It has been claimed that dynamic capabilities enable firms to alter their resource base, which in turn would be the source of competitive advantage (Eisenhardt and Martin 2000). This conceptual approach focuses on firm competitiveness in changing environments. Teece, Pisano et al. (1997) state that ‘dynamic’ refers to a rapidly-changing environment while ‘capabilities’ include internal and external organisational skills and processes, functional competencies and learning paths. The authors set out and defined dynamic capabilities in terms of reconfiguring resources to meet changing competitive conditions. In relation to strategic planning it is evident that the characteristics of the process have changed and adapted over time to suit environmental influences. Evidence in this respect can be found in the focus study of oil majors (Grant 2003) where planning systems fostered adaptation and responsiveness.

The planning process can be characterised as a functional competence in that it deals with distributing a firm’s resources to fit the strategic alignment of the firm. Strategic initiatives need to be distributed and executed as dictated by the strategic plan. Thus planning can be viewed as a capability. However, dynamic capabilities can only be sources of sustainable competitive advantage when imitation is prevented through learning mechanisms (Teece, Pisano et al. 1997). This is to say that organisations perform activities via routines that evolve over time. The ‘dynamic’ aspect of the capabilities approach can only be partly attributed to planning processes and strongly
depends on the organisation in question. This argument is in line with the concept of learning mechanisms: they are rooted in firm behaviour and differ since every firm has diverging learning paths.

Proposition 1a: Formal planning processes can be seen as a dynamic capability in turbulent environments.

Another way that RBV could be applied in the context of strategic planning is not to see the process itself as a resource/capability but to speculate that the planning process might be a way to appraise certain resources and capabilities, which in turn could lead to competitive advantage.

According to Porter (1980), competitive advantage can originate from two sources: cost advantages where a product could be offered at a lower price or via differentiation where a premium product can command a higher price. To follow either strategy, a firm needs to meet a range of resource and capability requirements such as access to capital, specialization of jobs and functions, creativity and strong cross-functional coordination. Before resources and capabilities can be exploited they need to be identified and appraised. Resources fall in the categories of tangible assets (physical and financial) intangible assets (technology and reputation) and human resources (employees, training and qualifications). Capabilities arise through organisational functions such as corporate management, R&D, sales, marketing and manufacturing. The potential of resources and capabilities to achieve either cost advantages or differentiation and therefore competitive advantage depends on a number of factors such as mobility, durability and embeddedness of resources. The appraisal via importance and relative strength of resources and capabilities can enable a firm to exploit these advantages. The strategic planning process is a mechanisms for a number of appraisals, for instance it sets performance targets and distributes resources accordingly to achieve intended targets. It can therefore be seen as a crucial process to achieve competitive advantage.

Proposition 1b: Formal planning processes drive a firm’s competitive advantage.
3.4 Theory lens II: institutional theory

Another theoretical lens that can shed light on strategic planning systems is institutional theory which recognises the embedment of institutional actors in an environment of formal and informal rules (North 1990). Institutional theorists (DiMaggio and Powell 1983; Scott 2001) suggest that organisational actions and processes are driven by their actors in order to justify and plausibly explain their actions. According to this perspective, strategic planning processes are rationally accounted for by organisational actors and rooted in the normative and social context that motivates actors to seek legitimacy (Dacin, Oliver et al. 2007). Fundamentally, the suggestion is that the literature should reconcile the legitimacy of strategic planning instead of its efficiency. Through various cognitive, normative and regulative forces organisations adopt a standardised set of practices (Scott 2001). In other words, an organisation is composed of three pillars: the “cultural-cognitive, normative, and regulative elements that together with associated activities and resources, provide stability to social life” (p.48).

3.4.1 Strategic planning and the three pillars

In the broadest sense, institutions regulate behaviour. Actors follow these rules and regulations since any deviation goes along with legally enforceable rewards and punishments. In other words, the primary mechanism of control is coercion (DiMaggio and Powell 1983). The regulative form of institutions is the most moderate and thus conventional. However, it hardly applies to the internal planning process since this regulative aspect refers predominantly to the external environment of the organisation such as various levels of jurisdiction.

Normative systems include both values and norms that define legitimate means and choices. Some are common to all members of the organisations, others apply to only a subset of actors and positions. Normative expectations arise from external pressures and become internalised by the actor. In the planning context this could relate to shareholders who, from a respected company, expect to have a high degree of formal planning to justify future directions. It is a way to confer rights and responsibilities, even internally where, for instance, corporate leadership collects strategic information from its business divisions. Planning systems constitute an anticipation – or normative expectation – that organisations are expected to adopt. In consequence, all existing
organisations as well as those joining the field are expected to adopt the standard: a formal planning system.

The last pillar of institutions is characterised by cognitive rules that reflect the nature of reality and that have a meaning to people (Scott 2001). Symbols such as signs, gestures and routines shape behaviour. Compliance occurs since certain actions are considered to be valid and conduct that deviates from the norm would be unthinkable. Writers such as DiMaggio and Powell (1983) as well as Meyer and Rowan (1977) accentuate that belief systems are adopted by organisational actors in an attempt to create an isomorphic to the pattern in their surrounding environments. Formal strategic planning is an example of isomorphism – companies in the same organisational field tend to have similar planning structures. This may be driven by people moving between organisations, for example as part of a career move, thereby transferring practices that they might have been familiar with in former organisational settings.

3.4.2 Strategic planning and legitimacy

Each of the three pillars presents a basis for legitimacy. Since organisations deal with uncertainty, they try to “establish legitimacy by social acceptability and credibility and doing so act on commonly valued purposes and adequate manner” (Meyer and Rowan 1977:319). Within the pillar of normative conceptions, legitimacy concerns lead organisations to internalise systems and beliefs. Since organisations compete not only for resource, power and economic health but also institutional legitimacy, DiMaggio and Powell (1983) emphasise that wide-ranging beliefs and cultural frames are adopted by organisations to validate their actions. Once disparate firms become more similar, change their goals or develop new practices thus becoming increasingly homogenous. The mechanism that best captures this cognitive dimension is isomorphism. Companies try to fit in with the norm by adopting similar formal planning processes that validate them as part of the organisational field. An additional reason is that institutions imitate those actors in the fields that are considered superior and thus exemplary. DiMaggio and Powell (1983) identify three mechanisms through which institutional isomorphic transformations can occur. The typology of these means is purely analytic and not always distinguishable in real life cases. However, it serves to gain a deeper understanding of the process itself. First, coercive isomorphism occurs due to a lack of legitimacy. As with the first pillar of institutionalism, this predominantly relates to
external pressures to confirm to environmental standards and is thus not directly relevant for strategic planning systems. Secondly, mimetic isomorphism constitutes an institutional answer to uncertainty. Organisations model their structural processes after similar firms in the field that they perceive to be legitimate and successful. Thirdly, normative pressures from professionalisation may lead to isomorphic changes. Members of a similar occupation thereby establish a validation for their occupational autonomy – much like professional consulting firms which help companies devise a formal strategic planning system. This idea can also be related to situations where legitimacy is driven by the need for capital. This means that companies could adopt certain planning practices in order to legitimise themselves in the eyes of shareholders and potential investors. Having a formal planning system represents a certain dedication to structure thereby signalling shareholders and other potential capital providers validation and ‘worthiness’ to receive their investments.

In essence, traditional institutional theory believes that organisational fields become structured by powerful influences among organisations. The adoption of a system such as formal planning is highly dependent on the extent to which it is institutionalised by legitimacy (Tolbert and Zucker 1983). Legitimacy concerns lead organisations to adopt practices that “conform to the mandate of the institutional environment” (Kraatz and Zajac 1996:814). Contemporary writings (DiMaggio and Powell 1991; Scott 2001) regard change in institutionalism as constrained – if and where change occurs it is towards greater conformity.

Proposition 2a: Legitimacy causes strategic planning processes to display homogeneity across companies.

3.4.3 Strategic planning and change

Institutional theory has often been criticised for being predominantly used to explain persistence and static phenomena (Dacin, Goodstein et al. 2002). Social, functional and political pressures have caused institutional norms to change. Greenwood, Suddaby, et al. (2002) argue that professional associations play a significant role in legitimising change. The authors further contradict claims that institutional theory is inconsistent with change. Rather, the contrary seems to be true. Sherer and Lee (2002) show that prestigious organisations can innovate norms thus legitimising the new standard for late
adopters. Two major forces drive change in this context: resource scarcity and legitimacy. This is in line with Tolbert and Zucker’s (1983) well-known study that illustrates the need for market leaders to innovate due to a lack in resources. The authors found that other organisations in the same researched field followed suit in adopting the new standard for fear of losing legitimacy.

*Proposition 2b: The success and adoption of new strategic planning elements depends on the innovating company’s credibility.*

### 3.4.4 Strategic planning and external consultants

Management consultants are sought out by companies for various reasons: one might be when a company has reached its internal human resource limits in order to achieve a certain organisational goal. Another could be that an external vision legitimises certain directions and decisions taken by the firm. One of the internal processes often scrutinised by external consultants is the strategic planning process. Almost all the companies in our case study samples admitted to having used external resources to develop, change or correct its planning process. Indeed, professional associations play an important role in legitimising organisational change (Greenwood, Suddaby et al. 2002). Professional management consultants legitimise their role and the implementation of strategic planning processes from their acquired prestige and experience with well-known clients in the field. They implement proven and similar elements in planning processes – a way of legitimising their innovations (Sherer and Lee 2002). The imitation of models is a mimetic process (DiMaggio and Powell 1983; Scott 2001). Organisations conform to institutionalised beliefs to achieve an appropriate structure (Meyer and Rowan 1977). External beliefs are further validated by the use of management consultants who sell external norms and practices as the status of what should be adhered to (Oliver 1991). In other words, the explanatory process underlying this logic is that the imitation of organisational structures, activities and routines are “a response to expectations of professions or collective norms of the institutional environment” (DiMaggio and Powell 1983 in Oliver 1991:149).

*Proposition 2c: Isomorphism causes strategic planning systems to look alike.*
3.4.5 Strategic planning and the influence of national culture

When considering organisations and reasons that hold them together, there are three dominant factors that differentiate firm characteristics from those of markets: internal capital markets, internal labour markets and strategic planning. Each country possesses different institutional environments, and influences from these environments shape organisational structures (Scott 1987). Especially capital and labour markets are affected by national differences. The most popular comparison remains the contrast between the Anglo-American and Continental European model (Shleifer and Vishny 1997). The first is often characterised by “financing through equity, dispersed ownership, active markets for corporate control, and flexible labour markets” and the latter in terms of “long-term debt finance, ownership by large block holders, weak markets for corporate control, and rigid labour markets” (Aguilera and Jackson 2003:447). National models are reflected in institutional structures thus influencing various organisational fields. Political influences may even constrain institutional flexibility and diversity. Various institutional elements from one region can lead to a cluster of corporate governance sets. However, Aguilera and Jackson (2003) find that “countries with identical institutions in one domain will not necessarily have identical corporate governance to the extent that other institutions will yield countervailing effects” (p.460).

The corporate governance style in a country can be one aspect of the social control of organisations that reflect cultural values. Culture can be seen as “the patterned ways of thinking, feeling, and reacting that are reflected in traditional ideas and values that differentiate members of one human group from other human groups” (Tosi and Greckhamer 2004:658). The structure and strength of cultural values is rooted in social systems, including organisations (Scott 2001). This in turn means that the system’s processes such as management and organisational hierarchies are affected by these values. The way culture affects members of organisations is through shared practices. It is therefore important in relation to strategic planning systems – a common, shared process, to look at the influence of organisational culture.

Differences in national cultures can arise from a variety of sources such as geography, economics, as well as genetic factors (Hofstede 1980). National cultures in turn influence a set of dominant cultural values that become an important part of a person’s cognitive setup and that are consecutively reflected in the social systems and institutions of a culture (Shaw 1990). The model of Hofstede (Hofstede 1980; Hofstede, Neuijen et al. 1990; Hofstede 2001) is one way to characterise cognitive maps. The author states
that culture can be characterised in five value dimensions: uncertainty avoidance, power
distance, individualism-collectivism, masculinity-femininity, and long- vs. short-term
patterns of thought.

Uncertainty avoidance is high in societies where people prefer rules and predictable
situations (Hofstede 1980; Hofstede 2001). Nations with low uncertainty avoidance such
as the United States have a higher tendency to take risks and possess less acceptance of
rules and conformity. This would lead to the assumption that organisational planning
systems tend to be less formal and structured than, for example, those of companies
based in Germany where uncertainty avoidance is high.

Power distance reflects the willingness of individuals to accept power and status of
others. In low power distance societies, such as the US, people expect democracy and
little hierarchy. In flat organisational hierarchies one would expect a greater
communication flow, and thus a dynamic way of organising strategic planning
processes. Employees at the divisional level would tend to negotiate and challenge
existing strategic planning processes and their related assignments. The level of power
distance is somewhat larger in Germany and Switzerland – people tend to be more
accepting of orders from management and would feel a high level of discomfort when
disagreement occurs. Here one would expect a very transparent but also smooth process
of strategic planning.

The individualism – collectivism dimension refers to the extent to which people deal
with issues alone or in a group. The USA is the highest scoring individualism country
(Hofstede 2001), which means that people tend to look out for themselves and only the
closest family members. This also means that their individual initiative is encouraged in
organisations. In the context of strategic planning this could mean that employees in US
companies might be more inclined to stress their own contribution rather than work with
the group toward a common goal. Swiss and German societies also tend towards the
individualist end of the spectrum, however not as strong as in the US. This means that
the Swiss and German are less inclined to shirk when it comes to group-related work
issues.

Masculinity – femininity refers to the importance placed on traditional masculine
(competitive, aggressive) and feminine (caring, compassionate) stereotypes. All three
countries – Germany, Switzerland and the United States fall into the masculine
dimension. This could mean that in organisations employees could be more
confrontational when it comes to disagreements.
Short-term vs. Long term describes the importance attached to the near and distant future. This long and short-term orientation is also evident in organisations. US companies for example, tend to have a shorter time focus when dealing with business issues than German or Swiss counterparts. This tendency is also reflected in the ownership structure of firms. In Germany and Switzerland for example, shares of publicly listed companies are predominantly owned by one or few major shareholders. Large shareholders (often companies in the DAX100) tend to have cross-holdings with one another, which results in a strong network and control effect. Another characteristic among famous manufacturing companies in Germany, such as Bosch or BMW is that the major shareholders are members of the founding family. This network ownership structure results in a long-term interest and focus of organisations. The contrary is true for US companies. Here, ownership structures tend to be more dispersed, which means that shares are owned by a variety of groups and individuals.

Proposition 2d: Strategic planning systems are subject to cultural differences. Companies based in Anglo-American societies will exhibit flexible, non-formalised strategic planning systems and short term strategic plans. Companies based in Germany and/or Switzerland will tend to have a more formalised and structured planning process resulting in long-term strategic plans.

3.5 Theory lens III: organisational routines

In their simplest form, organisational routines can be seen as people within an organisation producing some type of regular work. Early studies dating back to 1958 found that organisational routines are a way of coordinating an organisation (March and Simon 1958). Today, organisational routines are still investigated; however, not all researchers have a common understanding of what these routines are and what they actually do. By discussing the meaning and impact of this aspect in the field’s literature it will become clear why and how routines can help to understand the process of strategic planning in organisations.

In the past, the concept of organisational routines was theorised in ways best described by three metaphors: programs, habits and genes (Feldman and Pentland 2003). First, individual habits dictated an automatic response; they required no thought. Secondly, a
stream of research emerged over the years with Nelson and Winter establishing the concept firmly in their thinking about evolutionary economics and change (Nelson and Winter 1982). Here, organisational routines were seen as a process comparable to computer programmes or heuristics. Evolutionary theories tried to explain the inertial quality of organisational structure with routines (Nelson and Winter 1982; Hannan and Freeman 1984) by describing them as skills and capabilities of an organisation. The third metaphor is an extension of the biological evolutionary background: routines were likened to genetic material (Nelson and Winter 1982).

More recently, authors have moved away from the static and inflexible abstractions of the concept. Pentland and Rueter (1994) compare organisational routines to grammars of action in which a routine is not a single pattern but rather a set of patterns enabled by social physical and cognitive structures. The content of patterns is denoted by the following terms: action, activity and interaction (Becker 2004). One definition by Feldman and Rafaeli (2002) stands out and is one of the most common ways to describe routines. The authors see routines as “recurring patterns of behaviour of multiple organisational members involved in performing organisational tasks” (p.311). An important characteristic of routines – already implied by its term – is its recurring and collective nature (Becker 2004). Routines may also be documented or supplemented with rules (Feldman and Pentland 2003). Furthermore, since routines often consist of multiple actors involved in the process, one routine can be carried out by actors in different locations. The routine is thus distributed across the organisation as well as across space (Becker 2004).

The aforementioned aspects are particularly relevant for the strategic planning process as it shows that routines involve more than one person, and allow for interactions and connections between people. Connections between organisational members are a way of information exchange thereby highlighting the importance of people within any organisational context. The strategic planning processes in an organisation can be considered such a high level organisational routine, in which the routine actually constitutes an ‘amalgam’ of various smaller routines (Pentland and Rueter 1994). Strategic planning systems consist, amongst other things, of formal verbal interactions as well as nonverbal communication between employees. This process of communication creates a form of shared meanings and understandings on two levels: shared understanding about performance and about the organisation. The first one refers to the context of one particular routine. The latter should be viewed on a broader
organisational context. While people may not share a certain point of view on how a routine should be executed, it still offers information about the importance and how it should be conducted (Pentland and Rueter 1994). On the same level, including certain people in a routine while others may be left out to send a signal throughout the organisation. For example, Westley (1990) studied the role of middle managers in the strategic planning process. He calls the occurrence of interactions between superiors and subordinates in the formal planning process ‘strategic conversation’ and looks at the extent to which middle managers (normally at the business unit level) are satisfied by being included in this process. Traditionally, these middle managers are considered to be part of the bottom-up information flow, which means that they contribute with their knowledge toward devising an efficient strategic plan. The author finds that the managers that were not included in the processes, but felt that they should have been, have a different understanding about the planning routines as those members that were involved in the process. This, in turn, leads to dissatisfaction that can negatively affect performance.

In their 2003 article, Feldman and Pentland introduce the distinction between ostensive and performative aspects of organisational routines. These two aspects are related in that the first “embodies the abstract idea of the routine (structure), while the other part consists of the actual performances of the routine by specific people, at specific time, in specific places (agency)” (Feldman and Pentland 2003:95). It is only when acknowledging the complementarity of both parts that one grasps the concept of organisational routines. Adopting Latour’s (1986) jargon of ostensive and performative aspects enabled Feldman and Pentland (2003) to convey generative properties of organisational routines as well as the characteristics of both aspects being complementary in nature. The ostensive aspect is a generalised pattern of the routine expressed by words or in the form of written rules and guidelines. The ostensive aspect of strategic planning can, for example, be context dependent for each firm. There may be variations between the planning routines but in the end they serve to devise a formal strategic plan. The performative aspect relates to specific actions taken by specific people as part of the routine. This can be exemplified by a strategic planning and business development department, which sends out guidelines to its business units that will enable them to contribute to the final strategic plan. Pentland and Rueter (1994) use the phrase of ‘effortful accomplishments’ when discussing performances. This contrasts
claims that characterise routine performances as mindless actions (Ashforth and Fried 1988). The latter maintains that routines can be followed without really paying attending to them. However, with high level organisational routines it is more likely that a certain effort is needed in order to derive a routine from a plethora of possibilities.

Traditional strategic planning writers such as Mintzberg, Steiner and Ansoff would probably attribute planning systems in the first category. For some formal aspects of the planning routine such as the timing cycle of meetings, this may very well be the case. On the other hand, the performative aspect of a planning routine involves adapting to contexts, for instance when an unforeseen event triggers a necessary change in the strategic plan. In the latter aspect, the routine can still be characterised as a repetitive phenomenon but one that is no longer static but flexible.

The ostentive and performative aspects should not be seen as unrelated entities but rather as mutually constitutive and recursive (Pentland and Feldman 2005). Often, there is not one single pattern that all participants of the routine agree on. Performances in a routine are by definition varied and thus multiple. The same can be true for the ostensive aspect of the routine: those involved in the routine may define different starting points to the routine even though its actions might seem fairly coherent (Pentland and Feldman 2005).

Another way to considering the role of routines would be by way of reducing uncertainty. This can be seen as tackling the problem of information asymmetries that arise between actors in an organisation. In an economic sense, the planning process routine with corresponding planning department can be seen as a solution to the principal – agent dilemma between the corporate centre and the divisions. Generally speaking a principal transfers a set of responsibilities to agents to act in his own interest (Eisenhardt 1989). Conflicts can arise in this relationship due to observability problems and asymmetry of information between the two parties. Hence, mechanisms need to be in place to align the interests of the principal (here the corporate centre) with that of the divisions (agents). Therefore, contracts and agreements are put into place between parties. However, even the most detailed contracts are often incomplete due to a number of predicaments between the principal and the agent (Williamson 1975): bounded rationality, information asymmetries, private information and mutual ignorance. Devising mechanisms to avoid these pitfalls is not easy due to behavioural assumptions concerning organisational actors: one assumption is bounded rationality where economic
actors intend to achieve the best possible outcome but are limited in their capacity to do so. Another reason relates to opportunism where strategic, self-seeking actors misrepresent intentions and lie. This in turn can lead to the moral hazard problem whereby a redistribution of risk can affect a change in people’s effort and behaviour. Putting this problem in the context of organisational planning, the corporate centre (as the principal) should aim for a formalised planning process that helps monitor business division (the agents) thereby reducing the problem of moral hazard and opportunism. The routine of the planning process becomes the mechanism to reduce risk and uncertainty.

The control mechanism of strategic planning system as an organisational routine is explained by the concept’s origin. When looking at why routines exist it is comparable to asking why strategic planning systems exist. For one there is an efficiency aspect; a routine is functional in that it minimises costs while increasing managerial control. Especially large multinational corporations have reason not to reinvent the planning processes each year. Time and effort would be disproportionate to any possible advantage gained by changing the structure each year. In addition, a planning routine possesses coordinative power: it unites and systemises the practices of a group making their actions consistent, and reduces uncertainty (Becker 2004). Secondly, there is a legitimacy argument for the routine of strategic planning. Exogenous parties such as shareholders and competitors would be distrustful if a firm were to change their planning routine each year. Similarly, the routine places trust and confidence in people who are internal to the firm.

Proposition 3a: Strategic planning systems are a means of coordination and control that reduce uncertainty.

Much criticism of organisational routines focuses on the fact that they are a source of inertia, inflexibility and stagnation. In recent work, researchers have tried to counteract this criticism by showing that routines can be a powerful mechanism for adaptability and change (Adler, Goldoftas et al. 1999; Feldman 2000). Indeed, a consensus lies in the fact that organisational routines are generative and dynamic systems not static objects (Cohen and Bacdayan 1994; Pentland and Rueter 1994). Depending on the nature of the routine and its circumstances, the internal structure of a routine can yield outcomes from ‘very stable’ to ‘constantly changing’ (Pentland and Feldman 2005). In other words, a
varying degree of improvisation characterises routine performances. Attending to
routines and executing them demands situational understanding and therefore room for
adaptability (Weick 1998; Feldman 2000). A change in routines can occur in a number
of circumstances, for instance as a result of actors’ reflections, or as a reaction to results
of previous iterations of the routine. Organisational members may not always be
satisfied with the outcome of a routine or even realise that the outcome has produced
new problems. A common response to this issue would be to ‘repair’ the routine. Other
possible steps for changing a routine can be to expand the routine or to strive for
improvement (Feldman 2000). Routines should be seen as a flow of actions, thinking,
habits and emotions that strive for a particular outcome. Feldman (2000) depicts this
flow as a cycle of plans, actions, outcomes and ideals. In it, plans and actions produce
results that influence values and thinking of how to act in the next round. Results of each
round of a routine can be “compared with ideals as well as with previous plans and feed
into the plans for the next iteration to the routine” (p.623). This performative cycle
further shows the potential of change for a routine. Adapting this thinking to strategic
planning systems is depicted in the following figure:

**Figure 7: The performative cycle of routines**

![Figure 7](source: Feldman (2000))
The process could start at any one of the four points. To illustrate the example of strategic planning, the start shall be the point of ‘ideals’. A company sets its general direction of strategy thereby shaping its corporate culture from which employees deduct organisational beliefs and values (‘ideals’). The content of the plan as well as the values of managers shape the way the strategic plans will be devised in format and content (‘plan’). Strategic plans get converted into specific actions to attain set goals such as an increase of production capacity or move into another strategically relevant business (‘actions’). When these outcomes follow, members of the firm shape their own opinions and evaluate the former process (‘outcomes’). If these outcomes are in any way unsatisfactory, for instance when the plan fails to cope with an unforeseen event, beliefs will change and influence the way planning will be done in future cycles (‘ideals’).

Proposition 3b: Changes in strategic planning processes are driven by organisational actors’ reflections and dissatisfaction with the existing routine.

Since organisational actors could be the drivers of change in the strategic planning process routine, one has to consider the process that underlies the decision making of individuals.

The classical economic model of choice calls for knowledge of all the alternatives that are open to choice. It calls for complete knowledge of, or ability to derive the consequences that will follow on each of the alternatives. Simon (1976) introduced a model of rational choice that describes how decisions are made when the alternatives of search had to be sought out, and the consequences of choosing particular alternatives were only very imperfectly known because of uncertainty in the external world. At its core the fundamental problem for any individual is that he/she never has possession of all facts, which Simon (1955) labels bounded rationality. This, in turn, leads to uncertainty and the inability to calculate possible consequences of a decision.

One way to deal with bounded rationality in an organisational context is to develop a number of administrative processes. These processes are designed to facilitate decision-making. Each individual employee will seek identification with organisational goals and values through processes. Organisations, in turn, need to recognise that personal and group identifications can either facilitate or obstruct correct decision making for the
organisation. According to Simon (1979), there are two universal elements of human social behaviour: the role of authority and the role of loyalty and organisational identification. In the context of strategic planning processes, the role of authority is crucial. For one, superiors in the organisational hierarchy tend to decide the process and content of strategic plans and expect subordinates to follow their lead. Authority is highly influential on the formal structure of the organisation, including patterns of communication, sanctions, and rewards (Simon 1979). Administrative processes divide up the decision-making task among many specialists, coordinating their work by means of a structure of communications and authority relations.

Proposition 3c: Strategic planning processes are a mechanism for authoritarian decision making in organisations.
Table 2: Overview propositions

<table>
<thead>
<tr>
<th>Theory lens I: RBV and dynamic capabilities</th>
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<tbody>
<tr>
<td>Proposition 1a: Formal planning processes can be seen as a dynamic capability in turbulent environments.</td>
</tr>
<tr>
<td>Proposition 1b: Formal planning processes drive a firm’s competitive advantage.</td>
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</tbody>
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<tr>
<th>Theory lens II: Institutional theory</th>
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<tr>
<td>Proposition 2a: Legitimacy causes strategic planning processes to display homogeneity across companies.</td>
</tr>
<tr>
<td>Proposition 2b: The success and adoption of new strategic planning elements depends on the innovating company’s credibility.</td>
</tr>
<tr>
<td>Proposition 2c: Isomorphism causes strategic planning systems to look alike.</td>
</tr>
<tr>
<td>Proposition 2d: Strategic planning systems are subject to cultural differences. Companies based in Anglo-American societies will exhibit flexible, non-formalised strategic planning systems and short term strategic plans. Companies based in Germany and/or Switzerland will tend to have a more formalised and structure planning process resulting in long-term strategic plans.</td>
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<tr>
<th>Theory lens III: Organisational routines approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 3a: Strategic planning systems are a means of coordination and control that reduce uncertainty.</td>
</tr>
<tr>
<td>Proposition 3b: Changes in strategic planning processes are driven by organisational actors’ reflections and dissatisfaction with the existing routine.</td>
</tr>
<tr>
<td>Proposition 3c: Strategic planning processes are a mechanism for authoritarian decision making in organisations.</td>
</tr>
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Source: Author
4 Methodology

The discussion and findings from the literature as well as derived propositions lead directly to this study’s research methodology that empirically investigates the topic. Choosing the appropriate methods for research is vital as the results obtained are inevitably influenced by the method employed (Saunders, Lewis et al. 2003). This chapter presents a critical reflection and reasoning behind the empirical methods employed. First, the research questions guiding this study will be presented (4.1). Then, the research strategy and appropriate method are discussed (4.2). This section further includes a discussion on methodological rigour. Finally, the design of this study – data collection and analysis – is presented (4.3).

4.1 Research questions

The previous chapters have discussed the development and effectiveness of strategic planning (Chapter 2), and introduced new ways of thinking about the topic through different theory lenses (Chapter 3). A number of propositions derived from this review lead directly to the main research question of this study:

*How do firms co-ordinate their strategic planning activities?*

It is undisputed that firms have organised their strategic planning processes in either formal or informal ways. However, academic recommendations on what the best form of planning system might be become more and more blurred. In addition, practice seems to deviate from established standards. To narrow the research question and facilitate the appropriate research design, three sub-questions can be posed. They make a distinction between the important topics that are embedded in the main research question.

1) *Why do companies have a strategic planning system?*

Historically, it was often assumed that strategic planning ‘makes strategy’. This broad thinking confirmed a direct link between strategic planning and the setting of corporate strategy. However, the reverse seems to be true. Organisational strategic planners are rarely in charge of setting corporate strategy. The latter is a process that stems from senior executives and boards rather than from internal planners. Planning is much more
about implementing the goals set by corporate strategy through co-ordinating and supporting strategic activities within divisions.

2) *How do organisations co-ordinate their strategic planning activities? What are common characteristics of strategic planning systems?*

More specifically, is there a corporate strategy department that is in charge of co-ordinating strategic planning and if yes, how does the department carry it out? Different companies in different industries may require varying techniques of strategic planning. Especially diversified companies face the challenge of incorporating the changing need of its different divisions and products into one comprehensive planning process.

3) *Do companies incorporate new business development in their strategic planning system?*

Since long-term survival of a company is often linked to growth – organic or external – companies in ever changing environments need to adapt their business portfolios accordingly. Vertical and horizontal expansion or streamlining businesses is at the core of corporate strategy. However, the implementation of this goal needs to be correctly communicated and actions must be taken accordingly. The strategic planning process could intuitively be the communication and implementation tool of new business development. But is this really how things are done in practice?

The theoretical research framework deducted in Chapter 3 needs be translated into the research process as depicted by the following figure:
The first step of the research process dealt with deducting the theoretical and contextual background of strategic planning. In addition, various causal propositions were developed. These propositions will be tested in the empirical study of nine international companies. In this process, the rationales, actors and process details of strategic planning will be uncovered. The final step of the research process will be to define the outcomes of strategic planning and discuss theoretical implications.

4.2 Research strategy and method

As the purpose of this research is to shed light on the characteristics of formal planning processes, the research strategy employed will have to be iterative and developmental. In other words, it will make use of an inductive logic combined with some deductive feedback processes. Inductive logic can be characterised as being more open-ended and exploratory, especially at the beginning. Deductive reasoning is rather specific in nature and is concerned with testing or confirming hypotheses (Boswell and Brown 1999).
The propositions derived in the previous chapter pose a variety of demands. Understanding these processes requires an in-depth study, which can be best achieved by a selection of qualitative methods (Miles and Huberman 1994) or in other words, through an exploratory comparative case study approach.

Confusion surrounds the “distinctions among qualitative data, inductive logic and case study research” (Eisenhardt 1989:532). Qualitative research (often also referred to as field research) has a long and distinctive history. It combines a complex family of terms and concepts, as well as a variety of empirical materials such as case studies, interviewing and visual methods (Denzin and Lincoln 1994), which perfectly lends itself to the study of strategic planning processes. Due to its highly interpretative nature, qualitative research is sometimes seen as the ‘soft’ and unscientific approach (ibid). However, there are a number of academic contributions that demonstrate the distinct advantages of qualitative research in strategic planning such as Grant’s (2003) work on oil majors.

Qualitative researchers stress the “socially constructed nature of reality” (Denzin and Lincoln, 1994:534) − the fact that some situations and relationships become clearer when directly observed. Again, this strongly supports the use of a qualitative technique in the context of strategic planning. Observation, as the most uncontrollable form of inquiry, is a technique that allows the researcher to get as close to reality as possible, capturing events in real time. This can take various forms, one being the observation of interviewing partners. Interviewing is one of the most popular qualitative research forms that researchers use when they have not been able to observe a certain phenomenon directly and need to turn to others that have (Denzin and Lincoln, 1994). Personal interviews tend to make interviewees feel important and show them their particular relevance to the research undertaken. The usefulness of data gathered from interviews not only depends on the relevant respondents, but more importantly, how willing and able they are to recall certain events that are crucial for the research conducted. These facts correlate with the situation in which strategic planners find themselves. The area contains a large number of sensitive information so that the researcher could not actually participate in any planning sessions. However, by interviewing the head of planning and development – the person most directly involved in the process – provided the data. As will be discussed later, the case studies conducted for this work are a combination of interviews, observation and archival records. This is in accordance with Yin (1994), who states that a case study is an empirical enquiry that “investigates a contemporary
phenomenon within its real-life context (…) when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (…))” (p.23). To avoid mere story-telling, cross-case comparison provides the opportunity to replicate a logic gained by various cases (Eisenhardt 1989).

To corroborate findings from qualitative data, a popular strategy is to supplement these with quantitative methods. This enables triangulation to occur (Jick 1979). Triangulation is evident where different data collection methods are employed to ensure that “the data are telling you what you think they are telling you” (Saunders, Lewis et al. 2003:99). For this reason, the author initially considered the use of questionnaires to supplement evidence from interviews. A number of studies have used questionnaires to assess the effectiveness of strategic planning processes (King 1983; Grinyer, Al-Bazzaz et al. 1986; Kukalis 1991; Powell 1992; Hopkins and Hopkins 1997; Shea-VanFossen, Rothstein et al. 2006). This, however, was found to be of limited additional value. Nearly all studies using questionnaires in this context were found to have a high potential for self-serving biases thus lacking reliability (Boyd and Reuning-Elliott 1998). The fundamental problem lies in the fact that the definition of strategic planning is understood differently by each potential participant. Some may even argue that this is an advantage since it leaves the judgement to the right person in charge of the topic. However, it also creates a potential for errors and misunderstandings that would lead to invalid findings.

An additional problematic issue concerning questionnaires could have been the potentially low response rate. If there is a corporate strategy department, then only one person, namely the head of the department, would be the respondent. No other person within an organisation has that broad a knowledge base of strategic planning processes than the head of this department. This person not responding or falsely filling out the questionnaire would have meant elimination from the sample. The potential response rate was thus estimated to be rather low and unrepresentative for the sample.

Another quantitative method to employ could have been the use of statistical analysis. However, various meta-analytic reviews of the planning – performance relationship (cf. section 2.2.3) have shown that findings over the years have been mixed at best. In addition the conceptualisation and measurement of the construct strategic planning has been criticised on a number of occasions in works that used quantitative methods. This is particularly evident in Boyd and Reuning-Elliott’s (1998) study of measurement
models of strategic planning. The authors state that inconsistent findings are due to methodological inconsistencies. They further claim to develop seven reliable indicators that detect the relationship between planning and organisational performance. However, at least two of their seven indicators show low reliability measures that shed doubts over their predictive utility. While the existence of a comprehensive construct measurement of strategic planning is still disputed, the focus of this thesis was not on the link between planning and organisational performance.

Regardless of the measurement problems of the strategic planning concept, if the purpose of this study had been to look into the effectiveness of strategic planning, a quantitative research method would have been the preferred way to assess the link between planning and organisational performance. However, since the aim of this study is to find out about the complexity and subtleties of the strategic planning process, a quantitative methodological approach would have been of limited value.

Instead, this work aims to conduct an exploratory study of strategic planning processes. Therefore, it opted for in-depth interviews with strategic planners from each company to uncover subtle and implicit phenomena that otherwise would not have been documented by a questionnaire and qualitative analysis.

4.2.1 The comparative (multiple) case study method

To analyse the characteristics of strategic planning processes and avoid existing inconsistencies of findings, the multiple case study method was identified to be the most appropriate form of enquiry. Case study research has yielded some powerful insights into theory development (Eisenhardt 1989) as well as management research as a whole. The case study method is most appropriate when studying ‘How’ and ‘Why’ questions (Gibbert, Ruigrok et al. 2004). In addition, strategic planning has suffered from a lack of empirical investigation, and the case study method is the most appropriate way to yield substantive findings where “current perspectives have little empirical substantiation” (Eisenhardt 1989: 548). Another reason why the case study method was employed in this context is that it deals with practitioners first hand. Hence, possible findings have the potential to be useful for practitioners as well as academics.

The recommendation for a comparative study is to use four to ten cases (ibid). Eisenhardt (1991) re-affirms this view and states that multiple cases can help explain possible variations and similarities. In the same line of thought, Yin (1998) confirms that
multiple case studies are “best designed around replication logic” (p.229). Replication refers to the fact that findings from one case can be corroborated by those from other case studies. The purpose of comparing cases is to establish areas of variance and invariance. In addition, findings from multiple cases tend to be more compelling and stable than single case studies (Herriott and Firestone 1983). As will be discussed later in detail, the selected cases for this study display varying degrees of similarities and differences, which make contextual analysis challenging, and may yield interesting insights into the planning processes.

4.2.2 Unit and level of analysis

For the purpose of this study, the firm was the unit of analysis. While there is only one unit of analysis in each case, namely, the case itself, it comprises different facets. Mostly, the focus within the unit of analysis is the strategic planning department (for all those companies that had one in operation at the time of investigation). Another aspect is that the department can be divided into various areas of expertise, for instance economic market analysis or trend scouts. Each individual case within a multiple case study design can be holistic or embedded. This refers to the context of each case: it can be single (the case itself) or embedded (two units of analysis embedded into one case). Since there is only one unit of analysis in each case for this study the context is a holistic one, as depicted in the following diagram.

Figure 9: Multiple case study design

Source: Yin (2003) adapted by author
In relation to the *level of analysis* study, this study looks at different hierarchical stages. The reason for this is that strategic planning – while usually co-ordinated by corporate planning departments – is typically a combined effort across various organisational levels. There were two dominant levels of analysis in this study: corporate and divisions. In other words, the micro level ‘firm’ was analysed. However, this study also considers the macro-level of analysis even though not in a focused way. The organisational field in which companies are embedded often shape their corporate culture and organisational structure, therefore interacting on a secondary level with the main levels of analysis in this study: corporate and divisional aspects of the firm. Case study research is particularly useful for embedded research designs that employ multi-level analysis (Yin 1994).

**Figure 10: Level and unit of analysis**

![Diagram showing levels of analysis: Field, Corporate, Division/Business Unit](source: Author)
4.2.3 Methodological rigour

While working on a case study it is crucial to continually judge and ensure its quality. A number of authors (Eisenhardt 1989; Yin 1994; Yin 2003; Gibbert, Ruigrok et al. 2004) have stated that the success and insights of any case study rise and fall with its methodological rigour. Four criteria are commonly used: construct validity, internal validity, external validity and reliability. It is important to note that these criteria or tests apply throughout the case study, for instance during the design of the study, data collection and reporting of results (Yin 2003). They are not meant to be used as precautionary measures or simply be ‘ticked-off’. During different phases of case study research these tactics will have varying degrees of relevance. For example, internal validity is most relevant during the data analysis phase while external validity applies almost solely to the research design and its generalisability.

Construct validity is concerned with the quality of conceptualisation or operationalisation of the relevant theory model and hypothesis (Gibbert, Ruigrok et al. 2004). In other words, the research design needs to have the appropriate fit to test what it really intends to be testing (Denzin and Lincoln 1994). Construct validity needs to be ensured very early on in the research process, most importantly during the data collection phase. There are a number of tests for construct validity such as the “use of multiple sources of evidence, establishing a chain of evidence and having the key informants reviewing the draft case study report” (Yin 1998:243). This study used multiple case studies to triangulate the data between cases. The evidence collected always followed the same protocol of interview questions. In addition, this study’s aim establishes a clear chain of evidence between the research questions, data collected and corroboration of propositions. For this purpose, a set of interview questions was deduced from the propositions developed in the theoretical discussion of this study. For instance, the propositions regarding legitimacy and isomorphic reason behind the adaptation of strategic planning process resulted directly in questions concerning the use of external consultants at each company, the way the planning process was introduced, and if and how the company benchmarks its strategic activities with those from competitors.

All researchers continually communicated with key informants and colleagues to challenge assumptions and reflect on findings. In addition, iterative discussions between all researchers occurred in the context of discussing relevant findings. Repeated discussion about case study findings and interpretation is strongly advocated by Burgelman (1994). The author also contends that any discrepancies in case study
protocols need to be clarified by re-contacting the interview partners. This was also done in this study, where any questions or different opinions from researchers were followed up with the interview partner.

*Internal validity* occurs where the relationship between variables and results is really a causal one. It is conceptualised as the degree to which “we can trust the conclusions/inferences of the causal relationship” (Tashakkori and Teddlie 1998:87). While construct validity takes prominence during the early stages of research, internal validity tests should be conducted during the data analysis stage. Powerful explanation building, logical arguments and plausible reasoning result in internal validity. Gibbert, Ruigrok et al (2004) recommend three measures to enhance internal validity: the formulation of a clear research framework, pattern matching and theory triangulation.

According to Yin (2003), internal validity is only a concern for causal, explanatory case studies where “an investigator is trying to determine whether event ‘x’ led to event ‘y’ ” (p.36). While this study is rather exploratory in nature, the concerns for internal validity should not be underestimated.

Internal validity was ensured firstly through the research framework. Each proposition makes a causal claim, for example that concerns for legitimacy toward external capital providers and competitors result in isomorphic patterns of strategic planning processes. Careful case study protocol and narration added to these measures. In addition, the researchers engaged pattern matching of predicted outcomes vs. actual findings. An example constitutes the prediction about the formality and structure of planning processes. Researchers originally expected to find solely calendar-driven, rigid planning structures but were surprised to find many issues-driven, flexible planning components, such as ABB’s deep dives or BASF’s commissions.

*External validity* refers to the ability of the study to generalise its findings (Yin 1994). This concept is most relevant in the early stages of the research, during the case study design. However, it remains significant throughout the whole process. Yin (1998) and Eisenhardt (1989) argue that with multiple cases, the replication logic infers external validity. Cross-case analysis of four to ten cases provide a good basis for generalisation (ibid). Gibbert, Ruigrok et al (2004) further stress the importance for researchers to clearly state the reasoning behind their case study selection and context, as this will further erase external validity concerns. The nine case studies conducted in the current context generate the aforementioned replication logic. Findings from each case were analysed and compared. The similarities and differences found in each case show the
extent of the generalisability of findings. In addition, the cross-case analysis showed that the use of nine cases provides a good basis for analytical generalisation (Eisenhardt 1989).

Finally, the aspect of reliability looms large in any academic study. Even though this can be achieved with relatively straightforward tools in case study research (for example, transparent and accurate reports of research process, case study database), it is often neglected (Denzin and Lincoln 1994). Reliability refers to the fact that consecutive studies can build on existing data and arrive at similar conclusions if they were to conduct research along the lines and methods already employed. Careful case study protocols and memos taken by each researcher after each interview, and lengthy discussions about the interpretation of findings try to ensure reliability in this study. After each interview, each researcher drew up his own notes according to standard protocol procedures. This facilitated the compilation into one comprehensive case study protocol. Each interview partner received a copy of the case study notes and was given a chance to add points or clarify any questions. Transparency was a key issue here.

Admittedly, a qualitative study is unlikely to achieve the same level of reliability as a quantitative study that employs coded databases and easily replicable categories. However, with its careful protocol procedures, this study tried its best to counteract this potential drawback.

It is important to point out that the three validity types are related. This means that they should be seen as building on one another, namely, in sequence rather than parallel to one another (Scandura and Williams 2000). The following sections deal with the actual case study design and will outline in more detail the quality tests undertaken for this study.
### Table 3: Tests for methodological rigour

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic employed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construct validity</strong></td>
<td>During data collection phase</td>
</tr>
<tr>
<td></td>
<td>• Use of multiple cases (9)</td>
</tr>
<tr>
<td></td>
<td>• Chain of evidence: interview questions deduced from topical areas of propositions, transparent interview protocols</td>
</tr>
<tr>
<td></td>
<td>• Review information (by key informants) to avoid discrepancies and misunderstandings</td>
</tr>
<tr>
<td></td>
<td>• Triangulation of data due to multiple researchers. Avoids subjective findings that might occur where only 1 researcher conducts interviews</td>
</tr>
<tr>
<td><strong>Internal validity</strong></td>
<td>• Research framework guided data analysis</td>
</tr>
<tr>
<td></td>
<td>• Pattern matching: compared expected concepts with actual findings – iterative discussions between all researchers</td>
</tr>
<tr>
<td></td>
<td>• Clear protocol guidelines, cross-check of findings</td>
</tr>
<tr>
<td><strong>External validity</strong></td>
<td>Replication logic by use of multiple cases (sequential case research ⇒ incorporate findings and learnings to replicate in sequential case)</td>
</tr>
<tr>
<td></td>
<td>• Reasoning behind company selection</td>
</tr>
<tr>
<td></td>
<td>• Cross-case analysis enabled analyses of commonalities and differences ⇒ good basis for analytical generalisation</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>• Precise case study documents (concise case study protocol and extensive reports – by individual researchers and by group)</td>
</tr>
<tr>
<td></td>
<td>• Iterative discussions regarding interpretations of findings</td>
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</tbody>
</table>
4.3 Research design

This section deals with the description and explanation of the study’s research sites and data collection process.

Figure 11: Research design

Source: Yin (2003), adapted by author
4.3.1 Selection of companies

The choice of research sites was influenced by several factors. The cases in this study are a mixture of companies in different industries and locations. What most have in common is that they have a designated person or department that deals with strategic business planning on a company wide level. This was the only common characteristic that was explicitly defined before the research process commenced. Since the general aim of the study was to generate findings that would be applicable on an international level, companies were chosen that a) would have multinational operations, and b) where headquarters were located in different countries worldwide. Including companies with both characteristics in this study enabled the researchers to achieve an international perspective of the issues under scrutiny. Another condition that followed from an international multiple case study was that, in line with Eisenhardt’s (1989) recommendation, a total of close to 10 studies were needed to establish generalisable findings.

To enhance comparability yet leave as much room as possible for differences the authors chose companies in sets. In other words, companies were chosen in pairs of two or three that were located in the same industry yet in different countries. For instance, two national banks located in the US and Germany were included in the study as well as three diversified conglomerates (US, Germany and Switzerland) and three automotive suppliers (Germany and US).
<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Location (HQ)</th>
<th>No of employees (2005)</th>
<th>Sales in million (2005)</th>
<th>Interview partner(s)</th>
<th>Date, Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>Conglomerate (focus on engineering)</td>
<td>Zürich, CH</td>
<td>103’500</td>
<td>$22’442</td>
<td>Tobias Becker, Head of Corporate Strategy</td>
<td>16 March 2006, 15:00 – 16:30</td>
</tr>
<tr>
<td>BASF</td>
<td>Chemicals</td>
<td>Ludwigshafen, Germany</td>
<td>80’945</td>
<td>$50’627</td>
<td>Dr. Stefan Blank, Senior Vice President Strategic Planning</td>
<td>27 June 2006, 14:00 – 16:00</td>
</tr>
<tr>
<td>Bosch</td>
<td>Conglomerate (focus on automotive)</td>
<td>Stuttgart, Germany</td>
<td>129’000</td>
<td>$49’102</td>
<td>Theo von Bomard, Senior Vice President Corporate Planning</td>
<td>20 June 2005</td>
</tr>
<tr>
<td>Eaton</td>
<td>Industrials</td>
<td>Cleveland, OH, USA</td>
<td>59’000</td>
<td>$11’115</td>
<td>Ruby Mack, CEO Automotive Division</td>
<td>13 November 2006, 15:00 – 16:00</td>
</tr>
<tr>
<td>Goodyear</td>
<td>Automotive supplier</td>
<td>Akron, OH, USA</td>
<td>80’000</td>
<td>$18’000</td>
<td>Mike Parnell</td>
<td>9 February</td>
</tr>
<tr>
<td>Company</td>
<td>Role</td>
<td>City, Country</td>
<td>Amount</td>
<td>Location</td>
<td></td>
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</tr>
<tr>
<td>Knorr Bremse</td>
<td>Executive of Commercial Division</td>
<td>Munich, Germany</td>
<td>$2’743</td>
<td>28 June 2006, 14:00 - 15:45</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>North American Tire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2007, 12:00 – 14:00</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NASPA</td>
<td>Regional bank</td>
<td>Wiesbaden, Germany</td>
<td>€16’958</td>
<td>11 May 2006, 16:00 – 17:00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CEO</td>
<td></td>
<td></td>
<td>3 June 2006, 13:00 – 15:30</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr. Michael Sohl, Head of Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Strategy</td>
<td></td>
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<tr>
<td></td>
<td>Friedhelm Seekatz, Head of Finance</td>
<td></td>
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<tr>
<td></td>
<td>and Controlling</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>11 June 2006, 14:00 – 15:00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National City</td>
<td>Regional bank</td>
<td>Cleveland, OH, USA</td>
<td>34’270</td>
<td>$11’036</td>
<td>Clark Khyatt, Vice President Corporate Planning</td>
<td>15 November, 15:00 – 16:30</td>
</tr>
<tr>
<td>---------------</td>
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<td>--------------------------</td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>Conglomerate (focus on household goods)</td>
<td>Atlanta, GA, USA</td>
<td>27’900</td>
<td>$6’342</td>
<td>Mike Corriveau, Director of Internal Audit</td>
<td>14 November 2006, 13:00-15:00</td>
</tr>
</tbody>
</table>
With the aim of this research to shed light on strategic planning processes, the main interview conducted at each company was with the head of strategic planning and business development. These executives are typically one level below the most senior ranks (for example, management and board) to whom they directly report. While it has been claimed that access and permission to interview ‘elite’ subjects can be difficult (Pettigrew 1992), the companies in this study proved to be relatively unproblematic. Access to companies was normally gained via management contacts at middle and senior levels. For those cases in which none of the researchers had a contact, ‘initiative letters’ were sent out. For example, this happened in the case of BASF. Having identified BASF as an international multi-business company that promised interesting findings, the author of this study consulted the company website to find out the person in charge of corporate planning. Consecutively, a formal email was sent out introducing the researchers and the topic in order to request a personal interview. After an exchange of information via email and telephone the head of the planning department granted the researchers a two-hour interview at BASF headquarters. This forthcoming behaviour exceeded the researchers’ expectations of the interview partner to be open and enthusiastic about sharing his knowledge about planning functions.

Each researcher posed as ‘caretaker’ with those companies that he or she had gained access to. This included correspondence with the interview partner, providing information to the other researchers and arranging appointments. All interview partners received information about the research project and its aim, mostly by the caretaker.

4.3.2 Data collection

Research data for this study was collected between March 2006 and April 2007 (cf. Table 4). Time spans between data collection phases were advantageous for this project as it allowed for a mixture of deductive and inductive thinking. Lessons learnt in one case could already be processed and used for the next stage – not necessarily within an interview but for the researchers’ mindsets and background information about the topic. As previously discussed, case study research needs to be rigorous. An interview guideline was established prior to the first data collection phase. This detailed interview questions and established roles for interviews when necessary. The questions raised by the protocol can be considered as an agenda (Yin 1998) and may list the actual questions.
asked in the interviews. The protocol can deviate substantially from the research findings; however, it should be referred to as the starting point of the research undergone.

The sources of data in this study are in-depth interviews, documentary and secondary data. Prior to each in depth interview, the author compiled ‘mini’ case studies on each company. These reports contain information regarding the company history, structure, business fields and any additional information known about the planning process. This information was collected from websites, annual reports, press releases, documentary material and articles. The purpose of this extensive research prior to the interviews was to ensure that every researcher was on the same level in terms of company information. In addition, it saved time during the interviews as ‘obvious’ facts did not need to be repeated and the subject matter was discussed straight away. Some companies supplied documents during the interviews, such as PPT presentations of a strategic plan or guidelines for business unit strategic planning. While all researchers made notes on these sources, they were not released as they are considered confidential.

To increase the quality of the case studies this study combined multiple observers and empirical materials. The cross-checking of data collected by various researchers is called triangulation and is used to overcome the weakness or intrinsic biases and the problems that come from single method, single-observer and single-theory studies. Triangulation can lead to a holistic and accurate view of the subject.

In principal, there are two methods for triangulation (Jick 1979): “within-method triangulation essentially involves cross-checking for internal consistency or reliability while between method triangulation tests the degree of external validity” (ibid: 603). The use of multiple researchers represents within-method triangulation and was a way to examine the phenomenon of strategic planning from multiple perspectives. This tactic “enriches our understanding by allowing for new and deeper dimensions to emerge” (Jick1979:604).

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2 See Appendix C for example of mini-case
4.3.3 Interviews

All interviews conducted for this study were open-ended, giving respondents more freedom to recall events, and latitude in developing their responses. It resembled an informal conversation rather than a question/answer session. Furthermore, interviews were conducted with as many researchers as possible. Given that the team of researchers consisted of three people each located in a different country (or even continent) this was not always possible for reasons concerning time and money. However, except for in one instance, the German regional bank, there were at least two researchers present at every interview.3

As popular as interviews may be, one should bear in mind problems concerning interpretation bias of the researcher(s). This study eliminated these concerns as much as possible by having more than one researcher present at the interviews. Interview partners at the respective firms can be considered ‘elite subjects’. Relatively little literature exists that deals with the specificity of interviewing elites. Odendahl and Shaw (2002) admit that interviewing elites poses a difficult challenge to academics for a number of reasons: gaining access and permission to interview elite members is already a time consuming and labour-intensive process, but the interview itself also demands a lot of skill, creativity and extensive preparation on behalf of the researcher. Another challenge elite interviewing poses is the psychological separation of the person being interviewed from the institution he or she represents. The issues arise from two sources: for one, the elite subject often feels that he or she needs to make statements promoted by the press or public relations advisors. On the other hand, this is also a subconscious process: the interviewee most likely voices his or her opinion in public which, in a personal interview, may lead him or her to speaking not only for himself or herself but for the company as a whole. This problem was confronted by the researchers by carefully formulating questions and trying to establish a personal connection, for example by asking: ‘In your experience, what are the key drivers (…).’ Any interview strategy, however employed in the context of elites, is very context-specific and sensitive, and needs to be approached with care (Welch, Marschan-Piekkari et al. 2002).

Since most interviews came about through contacts, a personal relationship was soon

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3 The interview at the German Regional Bank had to be conducted in German as the interview partners felt more comfortable giving interviews in their native tongue. This fact excluded two of the researchers from these particular interviews.
established, and interview partners were unexpectedly forthcoming in their time allocation and willingness to share information.

While all researchers took notes during the interview process, one researcher was designated as ‘lead investigator’ guiding the interview with questions. The interviews started with background information about the interview partners. Prior to each interview, areas of interests and corresponding questions were identified. However, during the interview process these questions were asked where and when the lead investigator felt appropriate. These questions were normally open-ended ones with the pro forma questions established in advance serving as a guideline. General answers by interview subjects were often followed by specific questions to gain fuller insights into a topic that seemed relevant.

Since all researchers took notes during the interview, each wrote up his or her own protocol, which when put together allowed for maximum observations and interpretations. This protocol was compiled within two days of the interview; a way to ensure that information was processed as soon as possible after being collected. Iterations of the protocol followed, and where areas or issues emerged as unclear, interview partners were contacted with a follow-up email asking for clarification.

In general, the interview lasted between one to two hours. As all interview partners were very cooperative and willing to share information they took as long as necessary to answer all questions. The reason for this was often that the interview posed an opportunity for critical reflection, and a learning process about their work and the company’s strategic planning processes. In most instances, the researchers were asked by the interview partner to share their insights, knowledge and recommendations about formal planning processes.
This chapter will present the empirical findings of this study. One of its contributions is to detail the strategic planning systems currently operating in each company. The case study companies are grouped in clusters: conglomerates, automotive, regional banks. The length of description and discussion for each company varies for two reasons. The first is related to the degree of complexity of the company’s planning process, the second reason is the availability of information. Even though the data collected stems from interviews where similar questions were asked, the ability to share company internal information varied with each company. Some had more restrictions due to confidentiality than others, which in turn affected the degree of detail that was revealed.

Since each case is discussed in a separate section, the chapter will proceed as follows: firstly, the case study cluster of ‘conglomerates’ is illustrated (5.1) with its companies ABB AG (5.1.1), BASF (5.1.2), Eaton (5.1.3) and Newell Rubbermaid (5.1.4). The second cluster is the ‘automotive supply’ section (5.2), comprising Bosch (5.2.1), Goodyear (5.2.2) and Knorr Bremse (5.2.3). Finally, the group ‘regional banks’ (5.3) with National City (5.3.1) and NASPA (5.3.2) is discussed.

Figure 12: Case study clusters
5.1 Conglomerates

5.1.1 ABB AG

Asea Brown Boveri (ABB) is an international professional engineering group, with its headquarters in Zurich, Switzerland. The company combines a variety of business areas such as power, automation technology, robotics and petrochemicals, two of which it considers its core fields: power and automation technologies.\textsuperscript{4} Since the late 1990s, ABB has undergone massive restructuring activities to be able to focus on its two core units. In 2005, ABB’s group of companies operated in 100 countries and employed about 103,000 people.

5.1.1.1 History

ABB was formed through the merger of Asea, a Swedish electricity company and Brown, Bovery & Cie, a Swiss company that was the first to transport high AC power. Asea was formed through Aktiebolaget, founded in 1883, a manufacturer of electrical lighting and generators and Wenstroms and Granstroms Elektriska Kraftbolag, another supplier of electrical goods. The company came to play a significant role early on in 1900 with the electrification of Swedish households, railways and industries. With the development of Sweden’s railway network, Asea became an important supplier of locomotives and power converters. The first part of the 20\textsuperscript{th} century continued to see Asea supplying to major steel, mining and power industries, and in 1953 it became the first company to produce synthetic diamonds. Until the 1960s Asea was responsible for building 9 of Sweden’s 12 nuclear power plants, advancing to become one of the world’s top ten power companies by 1980.

Brown, Bovery & Cie (BBC), an electrical company, was founded in 1891 in Baden, Switzerland. As early as 1893 it was supplying Europe’s first large-scale heat and power plant. Building electrical machines and motors, BBC moved on to add the production of steam turbines to its business portfolio. In 1939, BBC was the first to build combustion gas turbines that generate electricity. Similar to Asea, BBC entered the locomotive market in the mid 1900s, and - with the spread of automotive technology - started producing control systems for motorway tunnels in 1974. Parallel to its portfolio

\textsuperscript{4} Cf. ABB company website
extension, BBC spread its global presence from Europe to the Americas and Asia up to the 1980s.

When the two companies merged in 1988, they created one of the largest electrical engineering companies worldwide. With the fall of communism in the late 1980s, ABB expanded at a fast pace into Eastern Europe, acquiring some 40 companies in 1989 alone. ABB’s fast-moving growth strategy continued until the mid-1990s, when the company started experiencing financial as well as personnel problems.

5.1.1.2 Recent developments

Since 2000, ABB has taken numerous measures to reinvent itself. The reason for this was an accumulation of negative factors such as huge debts, an over-diversified portfolio, and even the possibility of bankruptcy. Spinning off units such as wind energy, capital finance and metering equipment, they streamlined their businesses into two major areas: power and automation technology. Part of this reinvention process was also to create a new and innovative strategic planning system.

5.1.1.3 Strategic Planning System

ABB’s strategic planning process is one of the most complex of all the cases analysed in this study. In 1998 the strategic planning department at ABB was founded, reporting directly to the executive board. Today, the department employs 8 people who work solely on strategic issues. There are, however, about 50 people altogether who are involved in the strategic planning process. These include, for example, the strategic division heads, economic researchers and a so-called business intelligence network. During the restructuring phase from 2000 to 2002, the initiative to redesign the company-wide planning process was initiated. The resulting process represents a crucial aspect in the company’s strategic setting: it focuses on strategic operations, the overall architecture of the business portfolio, the geographical spread of the company, and is supposed to deliver ‘content based strategy’. The role of the department is twofold: for one, it exercises control over the business divisions and their strategic planning activities. At the same time it is seen as giving advice and keeping communication channels open between the company’s top-level executives and the business departments.
The main output of ABB’s strategy department is a corporate strategic plan that is delivered every two years at the end of June. It is a 40-page document comprising 20 pages assembled by the divisions and another 20 pages generated by the department itself. The content is almost exclusively qualitative data. The two-year planning cycle can be described by a sequence of time stages.

**Year 1**

**Stage 1: December**

The cycle begins with brainstorming and information gathering by the corporate strategy team. This is a purely corporate activity and key issues are identified by the Chairman and CEO, the financial situation appraised and resources restraints are assessed.

**Stage 2: January**

A kick-off session is held by the corporate strategy department with each of ABB's 5 main divisions. The content of the meeting is best described in three categories:

1. During the first two hours representatives from the corporate strategy department make a presentation to the division representatives based on the information that was gathered in Stage 1. This includes 25 composite indicators such as the macroenvironment, forecasting, analysis of possible mega-trends (e.g. deregulation, security issues), demographic trends, SWOT analysis.

2. Corporate strategy presents a "target setting framework" that specifies the format for the divisional strategic plan. This comprises key deliverables (namely a 4-page full text divisional plan, plus a 4-page appendix that includes supporting figures and data), templates (e.g. for the financial planning part), together with other information to the division.

The divisional deliverables do not include concrete figures such as x% of EBIT - this is up to the divisions to create/derive themselves. Every division is measured on a different basis (e.g. EBIT, ROE etc., depending on what indicator serves best in each case). This enables the company to derive a synthesised plan that is easy to comprehend in its structure by top managers and the board.

3. Discussion of these issues then takes place.

**Stage 3: February - April**

Each division prepares its strategic plan. The time period for the strategic plans are 5 years, of which the first year forms the basis for the financial budget. Divisions are
expected to address the following issues in a document that is submitted to the corporate strategy department by the end of April:

- Definition of economic engine
- Explanation of how the business is running
- Analysis of competitive environment
- Operational excellence (e.g. supply chain management)
- De facto market penetration
- Technology issues
- M & A activities

Stage 4: May
During May, the corporate strategy department examines the divisional plans and casts them into financial plans using Hyperion financial modelling software, which permits simulation of the plan. The draft corporate plan of 40 pages is then forwarded to the CEO for review.

Stage 5: June
During June each division has a review meeting with the CEO. These meetings provide the opportunity for the CEO to query and comment on the divisional plans and to make possible improvement suggestions.

Stage 6: July
The 5-year strategic plan is presented to the board. Present at the meeting are: the board of directors, the division managers (who give the presentation), the head of corporate strategy (who supports/seconds divisional managers) and the CFO (who supports/seconds divisional managers), the head of HR, head of corporate development. Under normal circumstances the meeting ends with the approval of the plan.

Stage 7: November
The first year of the strategic plan provides the basis for next year’s financial budget, which comprises both the CAPEX budget and the operating budget. The financial budgets are based upon the simulations in May and contain complete divisional income statements and balance sheets.

Year 2
Stage 8: March
The second year of the planning cycle is less comprehensive than the first year since its purpose is mainly to review and adjust divisional and corporate plans. In March follow-
up meetings with the divisions are held. The purpose is to see whether targets have been met, and whether each division is on the right track.

Stage 9: April
During April and the first half of May, each division has the opportunity to adjust the plan according to the discussions that took place in March.

Stage 10: May
Late May is the time when divisional plans are again passed on to the corporate strategy department and yet another financial simulation takes place with possibly adjusted figures.

Stage 11: June
As in year 1 a review meeting with the CEO and each division is held.

Stage 12: July
The adjusted plan is presented to the board.

---

**Figure 13: Strategic planning process at ABB**

Source: Author
Two procedures that are part of ABB’s planning process stand out as ongoing processes:

**Business reviews:** these take place 10 times a year. At each meeting the budget deliverables are reviewed, and the strategic goals are reassessed twice. Each of these reviews is attended by divisional leaders, the CFO, the CEO, and the head of corporate development.

5.1.2 BASF AG

Badische Anilin & Soda Fabrik AG (BASF) is the world’s largest chemical company, with its headquarters in Ludwigshafen, Germany. The company employs around 81,000 people worldwide, has more than 100 manufacturing facilities and operates through five business segments: plastics, performance products, basic chemicals, oil and gas exploration/production, and agricultural products and nutrition. The company’s portfolio comprises approximately 8,000 products.

5.1.2.1 History

BASF was founded in 1865 by Friedrich Engelhorn as a company producing coal tar dyes. While Engelhorn’s vision was shared by many employees, the results of the first dye production were rather disappointing: they faded. Thus, Engelhorn hired a chief chemical researcher, Heinrich Caro, thereby establishing a research laboratory whose tradition and influence within the company lasts until this day. The new research facility was indeed successful: it synthesised the first natural dye in 1869: Alizarin. Other dyes and patents were to follow. In the early 1900s the company moved into the era of developing fertilisers, building the first plant producing synthetic ammonia. The company therefore moved from a solely dye producing company to one that included agricultural products. During World War II, new high-pressure technologies were developed. Their purpose was to find ways of synthesising natural products that would lead to the production of artificial goods (e.g. rubber and gasoline).

The second half of the 20th century saw the company building its reputation in the plastics industry. The plastics market boomed between 1950 and 1960 and thus led BASF to add the production of plastics (e.g. polystyrene and nylon) to its portfolio. In addition, the company took systematic steps towards becoming a global organisation,
setting up production sites in Brazil, France, India, Japan, the US and Australia, amongst others.

5.1.2.2 Context and developments
The nature of a strategic planning system is strongly influenced by the characteristics of the company and its industry. Essentially, the chemical industry can be identified by three economics features: firstly, there are close operational links between products and the actual production process. This is why most chemical companies are to some extent vertically integrated. Secondly, assets are characterised by long time horizons: their typical economic life lies around 20 years. In terms of initiating new products, an average of five years R&D and 3 years for plant construction adds to the 20-year production life cycle. Lastly, innovation is not directly market driven. The physical characteristics of a new chemical product can seldom be linked directly to the end customer. BASF is a very integrated company, reflected in their description Verbund (combine). Their integration extends well beyond the usual linear and vertical integration of a chemical company. Virtually every by-product from chemical processes is utilised elsewhere in the group.

5.1.2.3 Strategic planning system
Strategic planning at BASF is headed by the company’s planning and control department, which internally occupies a powerful role. Due to the company’s integration and massive product portfolio it requires stronger coordination than most companies. The planning department is responsible for exercising this control co-ordination and control function. The department comprises around 45 people and combines an array of functions, for example strategic control, risk management, macroeconomic analysis, competitive analysis and innovation scouting. The department clearly acts as an intermediary between the board and the divisions. Its role is to advise and challenge the company’s businesses, while in relation to the board it acts as supporter and inquisitor. Corporate strategy is formulated periodically, normally for a 10-year time horizon. This is normally a top tier activity in conjunction with the planning department that involves devising possible future scenarios – typically one base scenario and one alternative. So-
called “wildcards” are also considered: they refer to random external events that can have a major impact on the world economy such as natural disasters or terrorism.

Strategic business planning primarily takes the form of a bottom-up process. Each of BASF’s 72 strategic business units (SBUs) is required to create a 10-year strategic plan every three years. The planning department establishes methodology and content guidelines for SBU strategic plans. Each year, a list of issues that are up for renewal is released by the department, after having discussed them with the Board. SBUs are notified of these and have 6 months to make their submissions. Once the strategic plan has been developed by the SBU, there is a kick-off meeting with the planning department, division head and responsible board member. The SBU is expected to present two or more alternative strategy options, one of which everyone typically agrees on. The SBU then has time to elaborate the option that was selected and submits its results back to the planning department. The content of the strategic plan is primarily qualitative, focusing on relevant strategic milestones, for example the construction of a particular plant in Asia in 2009.

A particular characteristic of BASF is that the planning and control department is also in charge of what is called capital expenditure planning. It formulates operating and CAPEX budgets for each SBU. SBUs are classified into five groups: strong expansion, moderate expansion, holding market position, repositioning/cash-flow optimisation and divestment. SBUs are reclassified with each strategic plan. Funding for new or individual SBU projects within a CAPEX budget depends upon an appraisal process undertaken by commissions. Their task is to evaluate investment projects of greater than €2 million as well as all M&A initiatives. There are about 12 commissions for capital investment projects and about the same number of commissions that evaluate M&A proposals. Normally, investment proposals should be identified within the SBU strategic plan; however, there is always the possibility of proposing a new initiative to the commissions that might not have been part of the original strategic plan.
5.1.3 Eaton Corporation

Eaton Corporation (Eaton) is a diversified industrial manufacturer, with its headquarters in Cleveland, Ohio. Similar to ABB, the company has a spread industrial portfolio which can be divided in four business segments: electrical power distribution and fluid power (by far the largest segments in terms of sales), truck and automotive units. Once only known as a vehicle components supplier, Eaton has diversified into a broader industrial focus.

5.1.3.1 History

The company was founded in 1911 by J.O. Eaton as a producer of vehicle axles. Within 6 years of its foundation the company was producing around 33,000 axles per year. Over the years Eaton widened its automotive portfolio by acquiring various companies, thereby expanding into product lines to include valves, tappets and engine parts. The
first step in this direction was taken in 1930 when Eaton acquired Wilcox-Rich Corp. and Peterson Spring Corp., both producers of engine valves, tappets and valve seat inserts. This move made Eaton the largest automobile valves manufacturer worldwide. Another milestone was the purchase of Yale & Towne Manufacturing, a producer of locks, hardware, and materials handling equipment. 1978 marked the company’s move into new business areas of industrial power distribution, commercial goods, appliance and semiconductors, with the acquisition of Cutler-Hammer Inc. The trend of acquisitions of spin-offs continues until this day. One of Eaton’s latest purchases was Catalytica Energy Systems Inc., a diesel fuel processing technology company.

5.1.3.2 Context and developments

The regular acquisitions and spin-offs over the years present an organisational challenge. Until recently, the company managed their four business segments as four independent enterprises. This, however, changed with the new Eaton Business System, which made Eaton into one integrated company. In conjunction, the strategic planning process changed and was redesigned to ensure continuity, create synergies and avoid duplication.

5.1.3.3 Strategic planning system

The corporate strategy department at Eaton employs around 30 people and acts as an intermediary between the divisions and the board. Every five years the company identifies one target plan that sets the framework for the annual planning. This is a pattern rather than a rule, but helps to get everyone in the same mindset regarding what the company is trying to achieve. In addition to each of the four business segments, it was decided two years ago that each corporate, functional division such as IT, finance, human resources, etc.) needs to prepare a strategic plan.

There are three major planning processes in each calendar year: strategic planning, which is carried out in the first half of the year, organisational capability assessment (OCA) that occupies a third of the second half of the year, and profit planning, which is also done in the second half of the year.
The strategic plan compiled by each business group is 25 pages long and contains a balanced amount of qualitative and quantitative information. The planning period is for five years into the future (current year plus four). Once the strategy department has issued its guidelines including economic data, forecasts and performance targets at the beginning of the year, each business group has time, until the final presentation in June, to compile the data and have a couple of review meetings to see whether they are on the right track. The divisional strategic plan is very much a bottom-up exercise; due to possessing detailed financial systems they are able to start with data from each production platform in every plant. In addition to filling in the guidelines, each business group presents its ideas for growth opportunities such as possible acquisitions or new business ideas. The presentation to the board in June each year can be viewed as a kind of pitch to convince the executives about new investment ideas. To encourage interaction and information flows, each group’s strategy president attends the other strategy group presentations.
The organisational capability assessment (OCA) was designed to ensure sufficient resources to achieve the objectives set out by the strategic plan. The key issues of the strategic plan are linked to the OCA, thus defining actions needed to achieve particular goals. For example, introducing a new product line requires a certain amount of additional human resources.

The profit plan process starts in early August and entails exclusively financial data such as a CAPEX plan and investment scenarios, as well as profit and revenue projections. The profit planning period is for one year only.

5.1.4 Newell Rubbermaid

Newell Rubbermaid (Newell) is an international diversified consumer and commercial goods company, with its headquarters in Atlanta, GA, USA. With around 28,000 employees worldwide, the company operates in broadly five segments, manufacturing house wares, hardware, home furnishings, juvenile products, hard products and office products.

5.1.4.1 History

The company Newell Manufacturing was founded in 1902 as a manufacturer of curtain rods in Ogdensburg, NY, USA. When retail chain Woolworth started stocking Newell’s products (bronze-plated curtain rods) in 1916, the company soon became known on a US-wide basis, while setting the focus on volume purchasers, which has been kept up to this day. By 1962, Newell had produced several separate enterprises: Western Newell, Newell Window Furnishings, and the original Newell Manufacturing. These companies were consolidated into one corporation, setting the basis for becoming a multi-product firm. The company’s “growth-by-acquisition” strategy became official in 1965, leading to acquisitions such as EZ Paint Corp., a producer of paint, in 1973, Mirro Corporation, a cookware maker, in 1983 and Sanford in 1992, a manufacturer of writing utensils and other stationery products. In March 1999, Newell acquired Rubbermaid, a diversified manufacturer of household goods, which - due to its popularity - gave the company its “double name”.
5.1.4.2 Context and developments

Newell characterises its generic strategy as “durable goods, mature markets”. Hence the company recently made a decision to strategically align its product portfolio by concentrating on core product lines and brands. It was with this intention that the company sold Little Tykes, a unit producing children’s toys as well as acquiring DYMO in 2005, which has a good strategic fit with the existing product portfolio. Another addition in 2000 to the company’s portfolio was Gillette’s stationery products business (e.g. Waterman, Parker). In 2006, the company saw a change in leadership, which resulted in moves toward a more obviously customer-oriented organisation. This characteristic is marked by the “Brands That Matter™” slogan that has been added to the company’s logo.

5.1.4.3 Strategic Planning System

According to Newell, strategy is a function of hierarchy/culture, performance and capital proportionate to channel, product and level of differentiation. The company’s strategic planning process was designed to support and facilitate the fulfilment of corporate strategy.

It is the purpose of Newell’s strategic planning process to “facilitate, not dictate”. The process starts in February each year when the corporate planning department distributes a strategic plan template to each of 12 divisions within its five organisational groups. Planning is done for five years into the future. The strategic plan deals with a number of topics such as where the division stands today, defining whether possible growth platforms exist, what the appropriate customer channels are, and details on financial data. In total, each division’s strategic plan is about 20 to 25 pages long when it is submitted to the central business planning department in June. After a presentation to senior management the plans are then passed along to the board, who will approve them in July. Most of the time in the second half of the year is reserved for the budget plan. This two-year forecast is approved in November each year and contains quantitative data such as quarterly forecasts, performance budgets, CAPEX. The budget plan is important strategically in that all employee bonuses are determined by it. In other words, the bonus paid is based on the goals stated in the budget plan and thus is a function of sales, operating income and cash flow.
Crucial elements of Newell’s planning process are quarterly review meetings involving corporate representatives, group executives and divisional managers. They take place every second week into a new quarter and are designed to identify possible problems and deviations from the previous year’s strategic plan. Together with the formal strategic planning process these quarterly meetings form an integrative cycle that constitutes Newell’s strategic planning system. At the quarterly meetings, a series of scenarios related to strategic issues and possible problems are discussed. The resulting changes form the basis for adapting the current strategic plan.
5.2 Automotive suppliers

5.2.1 Bosch

Robert Bosch GmbH is an international supplier of automotive components based in Stuttgart, Germany. With nearly 250,000 employees, the company also features a wide variety of other products in the areas of consumer goods and industrial technology. Its large automotive section manufactures products such as chassis, braking and gasoline systems as well as car electronics.

5.2.1.1 History

Bosch’s beginnings lie in the late 19th century, when its founder, Robert Bosch, opened a “workshop for precision mechanics and electrical engineering” in Stuttgart, Germany. As early as 1906, Bosch made a move to internationalise the company by setting up a sales office in the USA. By then, virtually all automotive companies at the time had become customers of Bosch’s innovation: the ignition engine. In 1917, Robert Bosch turned his company into a publicly-listed company (Plc), retaining for himself the majority of shares (51%) and selling the remaining 49% to his directors in uneven shares. The period 1926 to 1963 witnessed what is internally referred to the “Walz era”. Hans Walz had proven himself as Bosch’s private secretary and now followed in his footsteps as president after Bosch’s decision to retire. In 1937, the company was turned into a private limited company. The Walz era also witnessed some difficult economic times. The worldwide economic crisis in 1929, which saw its peak on “Black Friday”, did not leave Bosch unscathed. However, Bosch was able to survive by introducing and relying on a rather more diversified product line that included household goods such as radios, televisions and refrigerators. In 1963, Hans Merkle, a member of the management board, became head of the company. By that time, Bosch was employing around 63,000 people in Germany alone. Over the next decades, Bosch expanded at an accelerated rate. While 35% of operations were carried out outside of Germany in 1963, this figure had risen to over 70% by 2003. The last decade of the 20th century saw a move by the automotive industry towards producing safe, clean and economical products. Many of these were groundbreaking innovations made by Bosch.
5.2.1.2 Context and developments

Like many other companies, Bosch has had to deal with successful and unsuccessful acquisitions over its lifetime. Since the turn of the last century, the company has increasingly relied on the expanding growth rates of developing economies, such as Eastern Europe and China. According to company officials, this international spread and presence is not only the main reason for the company’s ongoing positive development and financial figures, but it is also to be strengthened and increased in the future.

Over the years Bosch has remained successful by acquiring and spinning off companies and business divisions, while at the same time never letting its core business of innovative automotive supplies out of its sight. Bosch can look on a number of ground braking innovations in the automotive supply sector, such as the ABS (antilock breaking system) now a standard safety component in almost all European cars and ESP (electronic stability programme) another feature that is increasingly becoming a standard component in motor vehicles.

5.2.1.3 Strategic planning system

The corporate planning department at Bosch is in charge of strategic planning. Until recently, this was not the case. The department was called to life about 6 years ago when the then-CEO realised that the informality of strategic planning, which style was then prevalent, was no longer sufficient to deal with complex issues arising in an international, multi-business organisation. The planning process centres around two documents: the 3-year Business Plan, which includes investment and budget plans and the 10-year Strategic Plan designed to “ask strategic questions”. Both plans are drafted annually as part of the planning cycle. The planning department is in charge of setting the guidelines and parameters for the business units. The units then compile their business field analysis, which comprises for instance market forecasts, projected growth rates and sales distribution. Each year in spring, the divisions report to the executive management board, presenting their proposed plans. After the meeting, divisions have time to revise the plans if needed before they are passed on to the supervisory board for approval. It is only once all divisional plans are approved that the corporate planning department aggregates the final corporate strategic plan. In another step the department also links divisional targets for value creation that are proposed in the plans to the long-term incentive plans for senior divisional managers. As a new measure, the company
tries to gain additional strategic insight on a regional basis instead of just planning on a divisional level. To this extent, regional strategy meetings were introduced in 2005.

**Figure 17: Strategic planning process at Bosch**

![Diagram of strategic planning process]

- **Jan/Feb**: Business field analysis by each division
- **March/April**: Divisional meetings with Senior Mgt.
- **June/July**: Compilation of divisional plans into a corporate plan, linking targets to LT incentive plans
- **Dec**: Start financial budgeting process

**In parallel: regional strategy meetings but no separate regional strategic planning**

Source: Author

### 5.2.2 Knorr Bremse

Knorr Bremse is an international automotive supplier specialising in manufacturing braking systems, based in Munich, Germany. Knorr Bremse is a traditional, privately-owned company with a global workforce of around 12,100 people. In addition to its core business of rail and commercial braking systems, Knorr Bremse produces doors systems and torsion dampers.
5.2.2.1 History

The company was founded in 1905 by Georg Knorr in Berlin. Its initial commercial success in the early days stemmed from an agreement with the Prussian State Railways to supply a new and safer braking system. Knorr Bremse’s second stream of braking systems for commercial vehicles was to follow in 1922. The new pneumatic braking system at the time was able to apply brakes to all four wheels of the vehicle as well as its trailer, thereby significantly decreasing braking distances. Between 1931 and 1939 90% of all German trucks were fitted with Knorr brakes.

The company grew steadily over the years. Most innovations in braking technology can be attributed to Knorr Bremse alone or at least its involvement in R&D. The late 1980s and early 1990s constituted a difficult phase in the company’s history. It was the time when it decided on a rigorous pursuit of internationalising the company – a move that was to prove successful in the long run. The company acquired companies in its core businesses worldwide (for example, Bendix, a US manufacturer of commercial vehicle systems). In 1999 the company signed a joint venture agreement with Bosch, thereby merging both companies’ electronic brake control systems. Knorr retains ownership of the venture with a 60% share.

5.2.2.2 Context and developments

Knorr Bremse operates in very mature and stable markets and can call itself a market leader of braking systems in the US and Western Europe. They are estimated to have reached the maximum amount of market share possible (50%) since automotive manufactures will never make themselves dependent on one single supplier. Hence a 50% market share seems to be “as good as it gets”. Knorr Bremse is divided geographically into five regions. Western Europe, North America, Asia, South America and Eastern Europe. There are product related Centres of Competence (CoCs) that organisationally follow the logical flow of the braking system production. This means that several CoCs with the same focus (e.g. air ventilation) could exist in different geographical regions.
5.2.2.3 Strategic planning system

The role of the strategic planning department at Knorr Bremse is twofold: it is in charge of guiding and helping its regions with their collection and consolidation of the strategic plan. In addition, the department’s task is company-wide business development via feasibility studies or project evaluations. There are three people employed exclusively for strategic planning; they are supported by other functions such as R&D or product management.

Before the official strategic planning process starts each year, the divisional CEO meets with representatives from the planning office and other divisional representatives to brainstorm relevant strategic ideas. In February each year, the planning department issues the format and guidelines for the regional strategic plans to be compiled. Regions as well as the CoCs compile strategic plans. In June, regional and CoC plans are approved by divisional (commercial and rail) CEOs who in turn obtain approval from the board in July. The content of a regional strategic plan includes the following main points: management summary (current year figures, projection into 2011), market development (economic development, competitor analysis), strategic positioning (SWOT analysis, potential positioning), channel positioning (strengths, weaknesses, strategy, counter-strategy) and CoCs (SWOT analysis, technology roadmap, sales development).
5.2.3 Goodyear

The Goodyear Tyre and Rubber Company (Goodyear) is the third largest tyre manufacturer in the world with headquarters located in Akron, OH, USA. With around 100 plants in 29 countries, the company employs close to 80,000 people. While tyre manufacturing is clearly the company’s core business, other production lines include automotive hoses, belts and industrial chemicals.

5.2.3.1 History

Goodyear was founded in 1898 by Frank Seiberling. David Hill, who purchased $30,000 worth of stock, became the first president of the company. But it was the founder, Frank Seiberling, who chose the name and determined the winged-foot trademark for the
company. Goodyear began production in 1898, with a product line of bicycle and carriage tires, horseshoe pads and poker chips. At the time, the company had 13 employees. Automobile tyre production began in 1899, and by 1916 Goodyear had become the number one tyre and rubber producer in the world. In 1977, Goodyear became the first producer of all-season tyres. The 1992 innovation of a wet traction tyre was another milestone in Goodyear’s history. Today, the company is the third largest tire production company worldwide (after Bridgestone and Michelin).

5.2.3.2 Context and developments
The company’s most notable development in recent years was in 1999 when it announced a $1 billion global alliance with Japan's Sumitomo Rubber Industries Ltd. Sumitomo possesses rights to the Dunlop tyre brand in many parts of the world, and together with Goodyear they have established six joint ventures.

The company is organised into five strategic business units, characterised mainly by its geographical spread (North America, Latin America, Asia, EU, Eastern Europe and Engineered Products)

5.2.3.3 Strategic Planning System
The most noticeable characteristic at Goodyear is that it does not have a corporate strategic planning department. For an international company of this scale, this is rather unusual and thus the only case in this study not to feature a designated planning department. Still, the company does have a strategic planning process, which is coordinated under the finance department. Consequently, the divisions are very independent and autonomous in setting their own strategic approach.

Goodyear’s organisational structure is predominantly controlled by geographical region rather than product line. There are 6 so-called strategic business units (SBUs), five of which relate to geographical regions. The sixth, engineered products, is an SBU that grew out of Goodyear’s interest in the “science of rubber”. The latter has now been sold to Carlyle Group as a result of a corporate focus on being a “tyre [market focused] company” rather than a rubber company. Due to the geographical divide, there is relatively little co-operation between SBUs on a strategic level. Top management is in charge of setting corporate strategy goals, which it presents in a five-year plan to its
shareholders each year. After these goals have been set, the finance department passes on budgetary requirements to the SBUs, which in turn use this information in their strategic planning procedures.

The strategic planning process at the SBU level starts in August/September each year with the corporate requirements and targets. The timing is quite different from most other companies in this study, who usually concentrate their strategic planning activities in the first half of the calendar year. At this point, each SBU starts developing a document that reviews previous initiatives and projects forwards. Trade association data is used to project market trends for the next five years. Since Goodyear has a history of strike-related problems, SBUs are careful to differentiate between factors that are market-related rather than strike-related. Within the SBU structure, different divisions (e.g. tyres for trucks and tyres for passenger vehicles) have varying strategic priorities. Some may be more customer-oriented than others, which directly affects strategic planning procedures.

Even though the official planning process does not start until August each year, SBU staff collect strategically relevant information throughout the year. This includes data on cost development, revenues on existing initiatives and planning future projects. New initiatives are almost entirely developed at the SBU level by the SBU’s CEO and staff. Between September and October negotiations take place continuously between SBUs and Goodyear’s CEO and CFO as to what the SBUs will deliver the following year. These targets are agreed upon and included in the following year’s operating plan. In addition, each SBU projects financial targets for two more years into the future. The final strategic plan presentations are made to the board in December for approval.
5.3 Regional Banks

5.3.1 National City

National City Corporation (National City) is a regional bank in the Midwestern USA, with its headquarters in Cleveland, OH, USA. Its banking network is primarily located in the states of Ohio, Illinois, Indiana, Kentucky, Michigan, Missouri, and Pennsylvania. National City’s core businesses include commercial and retail banking, mortgage financing and servicing. The company employs around 35,000 people.

5.3.1.1 History and recent developments

National City was founded in 1845 in Cleveland, OH, USA. Over the years, the bank expanded its networks and services throughout the entire Midwest of the United States. A particular characteristic of National City is that as a regional bank, state representatives from each state in which the bank operates act as advisors to the board or are indeed non-executive directors. In recent years, the company has made a number of acquisitions, thereby strengthening its market position. 2004 saw the acquisition of
Provident Financial Group, a company specialising in home loan financing. In 2006 the company purchased two institutions based in Florida: Fidelity Bankshares, a savings and loan-holding company, and Harbor Florida Bancshares, another commercial bank that also offers mortgage and other financing services.

5.3.1.2 Strategic Planning System

After years of traditional, process-driven strategic planning, the company is currently experiencing a turnaround phase with its new corporate planning vice-president, who came into power in 2005. The corporate strategy department employs around 10 people, and as part of the renewed planning network is looking to expand. National City’s corporate culture can be characterised as one rather driven by structure and its needs rather than one of creative thinking. However, the new corporate strategy envisages innovative components that aim to trigger efficient, creative planning.

Historically, the strategic planning process was driven by ways of legitimacy, meaning that the company utilised one because it seemed a common feature in any organisation. There was no real strategy content; it was rather a template-filling process that was made to look good regardless of the cost. The process took place between March and July each year, reaching its finale with the yearly approval by the board in July. When the old planning process was launched each year in March, a few divisional kick-off meetings were held and a ‘planning template’ distributed. The content of National City’s planning template evolved much around detailed financials for the next three years. After a series of business meetings, each division presented its results to the corporate planning office for review and finalisation in June. The process came to a yearly ‘stop’ after the plans had been approved by the board. The plan was ‘filed away’ and the yearly budgeting process could begin (which started from scratch, thus not utilising any information that had been developed for the strategic plan).

Due to the redesign of the strategic planning system, there was no strategic plan in 2006. Instead the company saw it of vital importance to focus on steps that would lead to a new, innovative strategic planning process that would lead divisions to think innovatively and look for cross-divisional synergies. While the new process still contains a document of a so-called STRAT plan, it is now a continuous one no longer confined to the narrow time span of four months. The planning period is for three years but the company envisages it being increased to five years in order to boost the focus on long-term (5 to 10 years) goals. The new system is tied into a bigger process, thus
steering away from a solely ‘event-driven’ procedure towards one that is characterised by simplicity and consistency. In addition, the new process opts for synergies across business units through increased communication. Divisions will start compiling necessary information for the STRAT plan in the first quarter of the year. The content is no longer one of filling out a template that was prepared by the corporate strategy department, but rather loosely-defined so as to extract the maximum amount of creative ideas. There will also be a strategic retreat of corporate planners and key divisional people to discuss current strategic issues. To support this new structure, there are quarterly strategy meetings between divisions, the CEO, two vice-presidents, corporate planners and the CFO to discuss ideas and progress. In addition, each divisional management team will have monthly sessions to discuss strategic issues, with corporate planners present if needed. In July, the executive management as well as the board approve the strategic plan. The budget planning process starts shortly thereafter. The STRAT plan financial figures form the basis of the current year’s budget plan.

A welcome effect of the renewed strategic planning process is that it encourages and supports increased intra-organisational communications. This means that divisional representatives actively exchange ideas to turn the historical short-term focus of financial rewards into a long-term one of value creation.

Furthermore, the new planning system has influenced the role of corporate planners. Rather than acting like “enforcement agents”\(^5\), they support divisions with advice and knowledge, develop realistic metrics to achieve attainable goals and are receptive to critical feedback. The department further supports the ongoing identification and realisation of initiatives to achieve the company-wide strategy thus continually improving the planning process to “keep it fresh”\(^6\).

\(^5\) Clark Khayat, Corporate Planning, National City
\(^6\) ibid.
5.3.2 NASPA

Nassauische Sparkasse (NASPA) is a regional savings bank that operates in central Germany and has its headquarters in Wiesbaden, Germany. The bank employs almost 3,000 people. Its services include commercial and retail banking, mortgages, financing and insurance. The bank is part of Germany’s regional savings bank system that operates according to state guidelines to provide affordable banking services to each citizen. It terms of business customers, the bank focuses on small and medium size enterprises.

5.1.3.1 History and context

NASPA’s origins lie in 1840 when the bank was founded as a successor to the Duke of Nassau’s credit facility. Apart from its banking services of financing, mortgages and savings to the people, the bank was in charge of administering the finances of the county of Nassau. NASPA was also one of the first banks in the 19th century to hand out banknotes instead of coins in the county’s currency.
The bank survived both world wars and steadily strengthened its position in central Germany in the second half of the 20th century. It is part of Germany’s statewide community of savings banks and thus has several political figures present on its advisory board. The guiding principle of a savings bank as prescribed by the state government is to supply affordable banking services to all citizens. This means that while profitability is important, it is not the only goal of NASPA’s business activities.

5.1.3.2 Strategic Planning System

The overall planning process at NASPA is divided into three categories: strategic planning, medium term planning and operational planning. The strategic planning process sets the guidelines by which medium-term goals can be set. Operational planning deduces its actions and processes from the measures set by strategic and medium term planning. Organisationally, executive management is responsible for all planning processes. The corporate strategy division reports directly to management and is in charge of annually preparing the strategic plan. Approved goals are passed on to the financial controlling department, which then converts the strategic plan into an operational plan.

NASPA sees its planning process as one of a combined top-down/bottom-up approach. The process starts with a top management meeting, setting the main strategic goals with the help of responsible strategy employee(s). Each of NASPA’s divisions then has time to work on and propose a number of measures – normally done by financial simulations – on how they want to achieve these goals. These include medium term goals that are guided by interest rate trends. As part of the operational planning, NASPA deduces ‘best case – worst case’ scenarios that help the company prepare for alternative economic developments. NASPA’s planning process and development is tracked via monthly review meetings that analyse where the company stands today, versus what it had planned to achieve (“deviation analysis”).
Figure 21: Strategic planning process at NASPA

Regular deviation analysis and forecasting reviews

Source: Author
6 Findings and discussion

This chapter continues with case discussions and cross-case comparisons that set the context for a discussion related to implications for theory. To synthesise the plethora of findings generated by the case studies, the chapter will start with an overview of generic planning features (6.1). This includes major steps in companies’ planning processes and a corresponding timeline (6.1.1 and 6.1.2). Next, the features of the corporate planning department are discussed as well as its role in the overall organisational context (6.2). The discussion of findings continues with an examination of the link between the strategic planning department and other corporate functions, including the relationship between the corporate centre and the business divisions (6.2.1). In a next step the emergence of common themes is highlighted (6.3). This discussion includes the importance of new business development (6.3.1) and the different roles of strategic planning in organisations (6.3.2). The last theme discusses the format of strategic plans (6.3.3). The insights generated by the analysis will then be linked back to the theoretical basis discussed in Chapter 3 (6.4). Through analysis and discussion propositions from the three theory lenses employed will be evaluated.

6.1 Characteristics of the strategic planning process

6.1.1 Common features

Each of the case study companies follows a pre-determined planning procedure that can be expressed as a cycle. Normally this cycle relates to a calendar year. There are some common features that concern the progression of the planning routine, such as particular meetings or the production of certain documents. The following part discusses each component of the planning routine thereby producing a comprehensive illustration of strategy planning systems.

Most planning processes start with a set of guidelines usually put together by the corporate planning department and distributed to the business divisions. These guidelines often contain market analyses, economic trends and forecasts and performance targets. In some cases, such as Knorr Bremse and NASPA, these guidelines
are preceded by a strategic discussion between planners, top management and sometimes divisional representatives to brainstorm strategic ideas for the coming year. The distribution of corporate guidelines is perceived differently by divisions: At Eaton, for example, the divisions often start compiling market information prior to corporate guidelines since “they are much better suited to do so anyway due to their detailed available information from each construction plant”. Therefore, guidelines merely serve as a confirmation of prior divisional work. In other cases, such as Knorr Bremse, divisions (so-called centre of competences: CoCs) value corporate input and guidelines since they normally include new ideas and “insightful views from the top”. They are vital for consecutive strategic planning activities. BASF, for example, employs so-called innovation scouts whose responsibility is to continually search for trends in the chemical sector and incorporate this information in strategic planning guidelines.

In a second step, the responsibility is passed on to business units who are in charge of collecting information according to corporate guidelines. This initiates the process of preparing *draft divisional plans*. For example, in the old planning process at National City, this was considered “template-filling” and divisions were content with being done with it so that they could “file it away in some drawer”. Normally, the information that goes into the first draft includes an overview of the current situation, defining possible growth opportunities, some financial data (that often gets turned into operating budgets for the next year) and a future outlook. This process of collecting and evaluating appropriate strategic information at the divisional level took several weeks, and normally corporate planners acted as support and guidance throughout the process.

Before plans are finalised, there is often an *interim meeting* between divisional representatives, corporate planners and a representative from top management (for example, the CEO, CFO or the Board Director responsible for the corporate planning portfolio). At these meetings ideas are discussed, figures negotiated and feedback received. ABB, for example, holds a review meeting with each division, corporate planners and the CEO in June each year. The CEO therefore gets a chance to comment on the content of the plans up to that point while providing divisions with an opportunity to incorporate feedback received before submitting the final plan.

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7 Ruby Mack, CEO Automotive Group, Eaton Corporation
8 Frank Merwerth, Strategic Planning Knorr Bremse
9 Clark Khayat, Corporate Planning, National City
10 ibid.
Having received feedback from the corporate side, divisions get some more time to revise their business plans before they have to submit them to the planning department. Corporate planners are in charge of compiling each divisional document into one comprehensive corporate strategic plan. In most cases, a presentation takes place in front of senior executives simultaneous to the submission of the plan which then gets passed on to the board for final approval.

Normally, the strategic plan provides a basis for budget planning which typically starts once the strategic plan has been finalised.

A feature that is increasingly incorporated in strategic planning systems is the provision for meetings when events occur that are not accounted for by the strategic plan. This may be related to different circumstances such as a sudden change in the political or economic landscape or the announcement of M&A activity by important competitors. At ABB, for example, so-called deep dives can be called to life on an ad hoc basis. These deep dives deal with strategically relevant issues and their results need to be incorporated into the existing strategic plan.

**Figure 22: Generic strategic planning framework**

[Diagram showing the strategic planning framework]

Source: Author
6.1.2 Timeline

All companies that have a strategic planning process in place follow a – more or less – set timing schedule. This means that the process usually starts early on in the calendar year, usually in January or February when the guidelines are distributed. Initial brainstorming and idea generating before setting planning guidelines could start as early as December in the previous year. Divisions then have about three months time to compile the necessary information to prepare a draft of a business plan. Feedback from the corporate centre is collected at an interim meeting in the period between April and May. After the interim meeting, the divisions receive a revision time that lasts for approximately another month or two until the final presentation for senior management is scheduled for June (usually around mid-year). The board meeting to approve the final plan generally takes place in July, thereby leaving most of the second half of the year dedicated to budget and operational planning activities.

Figure 23: Generic strategic planning timeline

Source: Author
6.2 The corporate planning department

All of the nine companies interviewed for this study have at least one staff member in a corporate planning function and the majority of companies possess a corporate planning department. This department is hierarchically located between the corporate centre (including senior management/executive board) and the business divisions. There are different terms for this type of department such as Corporate Strategy, Business Development and Strategic Planning. In essence, they all refer to the same organisational department and level, namely the one responsible for coordinating strategic planning activities. Depending on the size of the company and the relative importance of strategic planning, the department is staffed with people in different functions. At Knorr Bremse, an international company with two business divisions, a workforce of 12,000 and sales of €2.7 billion in 2005, there are three full time employees working for the planning department. Normally, a position in the planning department is seen as a career track in itself meaning that people are specifically hired for a position in strategic planning. Contrarily, the corporate strategy department at BASF, a chemical giant with 82,000 employees and a total of €42.7 billion in 2005, comprises of 45 people. The planning department is split into various subunits, such as strategic control, risk management and competitive intelligence. However, a position in corporate strategy – at least the top positions – is not seen as a career path in itself.

6.2.1 Links with other organisational functions

In many cases, the strategic planning department and the planning process are directly linked with other organisational functions such as R&D, finance, human resources and marketing. In line with Ruigrok, Pettigrew et al.’s (1999) findings that state “functions continue to matter; companies report little outsourcing(…)” (p.60), the importance of functional areas in the planning process should not be underestimated. Examples differ but in essence, the relationship with functional areas is a two way process: on the one hand strategic planners rely on information passed on to them by business units. This information is usually related to specific performance targets and other financial data. In addition, strategic planners need to provide functional divisions with data regarding market knowledge, competitive analysis and any other information that could implicate strategic decisions on a divisional level. On the other hand,
corporate planners rely on input from corporate functions. This includes, for instance, product related information, advances in technological developments and an assessment of human resources necessary to achieve performance targets.

At Knorr Bremse for example, strategic planners rely on information from their R&D department regarding trends in braking technology before they issue any planning guidelines. Another case is ABB where deep dive meetings call for functional knowledge on a need or request basis. Here, functional staff such as technology or finance specialists is an important resource that provides expert knowledge on a specific relevant issue. The outcome of a deep dive impacts divisions in real time, meaning that once the results of a deep dive are finalised they are directly fed back into the system to take effect as soon as possible. Due to BASF’s highly integrated and centralised nature, the planning department is very autonomous thereby undertaking several control functions normally exercised by functional departments at other companies. This includes the formulation of operating and capex budgets as well as competitive analysis and risk management as part of the strategic planning process.

Eaton tells yet a different story where the link between planning and functional roles is very explicit with the existence of a separate organisational capability assessment (OCA). The OCA is a process whereby the key issues of the strategy plan are linked to the resources needed. This involves, for example, human resources or capital financing. In addition to each group (automotive, electrical, truck and fluid power), every corporate division is obliged to prepare a strategic plan. This idea is quite innovative in comparison to all other companies interviewed. Normally, only business units – either organised geographically or by area of speciality – need to prepare a strategic business plan. At Eaton, each corporate division also adds its own business plan to the overall corporate strategic plan. Functions affected by this are HR, IT, marketing, sales, finance, supply chain management and shared services. The idea to have corporate divisions prepare a separate strategic plan is indeed unique. In addition to the OCA separate functional strategic plans emphasise the relative importance of functional areas in the organisation and in the strategic planning process.
<table>
<thead>
<tr>
<th>Company</th>
<th>Formal strategic planning</th>
<th>Frequency of planning cycle</th>
<th>Time horizon</th>
<th>Administration of strategic planning</th>
<th>Provision for ad hoc events/studies</th>
<th>Links with other systems of control/coordination</th>
<th>Characteristics/functions of strategic planning process</th>
<th>Characteristics/functions of strategic planning department</th>
<th>Outcome</th>
</tr>
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<tbody>
<tr>
<td>ABB</td>
<td>Yes</td>
<td>2 yrs</td>
<td>5 yrs</td>
<td>Corporate Planning</td>
<td>‘Deep dives’ and 10 meetings p.a. between corporate and division (includes strategic issues)</td>
<td>First year basis for financial budgets</td>
<td>Complex yet sophisticated</td>
<td>Coordinate strategic operations</td>
<td>40 page full text document (5 = each division &amp; 20 = corporate planning)</td>
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<tr>
<td>BASF</td>
<td>Yes</td>
<td>3 yrs (plus annual operational planning). Determined on ‘need’ basis</td>
<td>10 yrs (+2 yr operational plans)</td>
<td>Corporate Planning</td>
<td>‘Commissions’ for individual projects</td>
<td>Linked with op budget, capex budget &amp; R&amp;D plans</td>
<td>Top down combined with equal amount of bottom up ‘Verbund’</td>
<td>Quality control Guardian of BASF interests Intermediary board–divisions Challenger</td>
<td>72 SBUs create own strategic plan. No formal length criteria</td>
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<tr>
<td>Bosch</td>
<td>Yes</td>
<td>Annual</td>
<td>3 yrs</td>
<td>Corporate</td>
<td>Limited</td>
<td>First 2 yr</td>
<td>‘Dog and pony’</td>
<td>Ambivalent.</td>
<td>Corporate</td>
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<tr>
<td>Company</td>
<td>Frequency</td>
<td>Corporate Planning/Strategy</td>
<td>Basis for Budgets and Executive Compensation</td>
<td>Show ’Corporate Rottweilers’ vs. Internal Consultants</td>
<td>Strategic Plan Containing a Balanced Amount of Quantitative and Qualitative Information</td>
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<tr>
<td>Eaton</td>
<td>Annual</td>
<td>Corporate Planning</td>
<td>OCA and profit plan</td>
<td>Seen as useful but too many iterations</td>
<td>Administrative function</td>
<td></td>
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<td>Takes up a lot of time</td>
<td>Department deals with formalities</td>
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<td></td>
<td></td>
<td></td>
<td>25 pages from each division (4) + summary from corporate</td>
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<td>Goodyear</td>
<td>No</td>
<td>Financial Department</td>
<td>Strong link to budget and operational plans</td>
<td>Financial (target setting) control</td>
<td>n/a</td>
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<tr>
<td>Knorr Bremse</td>
<td>Yes</td>
<td>Corporate Planning</td>
<td>First year basis for financial budgets</td>
<td>Very sophisticated process for new ideas and business development</td>
<td>Guidance and support</td>
<td></td>
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<td>Business development</td>
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<td>Yes</td>
<td>Corporate Planner</td>
<td>Limited, only on informal</td>
<td>Driven by budget</td>
<td>Control</td>
<td></td>
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<td>Document dominated by</td>
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<tr>
<td>National City</td>
<td>Yes</td>
<td>Annual</td>
<td>3 yrs</td>
<td>Corporate Planning</td>
<td>At quarterly meetings</td>
<td>Budget plan</td>
<td>Visionary</td>
<td>Drive strategy by: -defining and facilitating planning process -keeping focus on guidance and support for divisions -manage M&amp;A function - develop and execute M&amp;A strategy</td>
<td>To be seen. Document format combination of text and PPT</td>
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<tr>
<td>Newell Rubbermaid</td>
<td>Yes</td>
<td>Annual</td>
<td>1 + 4 yrs</td>
<td>Corporate Planning</td>
<td>Structured initiatives, by topic/area and quarterly meetings</td>
<td>1st year basis for budget plan, bonus compensation</td>
<td>Designed to support &amp; facilitate fulfilment of strategy (function of hierarchy, culture, performance and capital)</td>
<td>‘Facilitate, not dictate’ Continuous support via formal &amp; informal meetings</td>
<td>10-25 pages per division (5) + text from corporate</td>
</tr>
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6.3 Cross case comparisons

During the case study analysis several themes emerged in the strategic planning context that deserve closer attention. Previous literature has not yet treated the topic of strategic planning from either of the applied theory lenses. It became evident at the first in-depth session that companies pay increasing attention to the development of new business ideas. They see it as a crucial element to raise a company’s competitiveness and therefore gain advantages over rivals. New developments keep a company “on the edge of business”\(^{11}\) and this idea was echoed in almost every interview conducted in the case study process. Thus, this section will first turn to discussing how companies incorporate the development of new business ventures into the strategic planning process. In a second step the synthesis of findings illustrates the distinct roles the planning process takes on in the organisational context. Communication, control and coordination lie at the heart of the purpose of strategic planning and are discussed with reference to the case studies. Finally, and possibly surprisingly, the evidence showed the importance of the format of the strategic plan. While this might sound somewhat trivial at first, it was actually a point repeatedly emphasised by interview partners. The findings suggest that the best strategic plan is of no use if it is not properly communicated in an appropriate format. The following sections will analyse the three themes in detail.

6.3.1 New business ventures

While it is important for firms to look after and develop their existing business sections, an organisation’s survival also depends on exploring the possibility of moving into new areas. During the interviewing process for this study all interview partners raised the question of how strategic planning can help foster new ideas for future business development. In the past most companies have realised that the planning process – when designed accordingly – can help create and foster innovative ideas. One of the major contributions of this study is therefore to show how companies use their strategic planning systems to achieve business development.

\(^{11}\) Jens Fischer, CEO NASPA
One of the most efficient ways to tackle changing dynamic surroundings and to prepare an organisation for future challenges may be to develop new business ventures organically. Burgelman (1983) labels the process by which new ventures shape ‘internal corporate venturing’. His findings suggest that corporate entrepreneurship resides in strategic initiatives of individuals. Those employees that think outside the current concept of strategy tend to be those who are innovators. The author states that the role of middle level management (rather than top level engagement) is crucial in the process of finding and supporting new, entrepreneurial activities. While new business areas are particularly essential in large, diversified companies, it is often there that autonomous initiatives are met by scepticism and difficulties. A look at the findings from our case studies demonstrates that Burgelman’s (1983) ideas hold an element of truth. Business development is indeed a process that is supported by middle managers – often at the divisional level.

A popular and well-known study in the area of new business ventures is the case of IBM. IBM was named by most interview partners either as a guiding example or at least
as “setting the tone”\textsuperscript{12} in business development. Therefore, before discussing the findings of this study, the case of IBM will briefly be introduced.

6.3.1.1 Companies with strong support for new business ventures as part of strategic their planning system

**IBM**

Founded in 1911, IBM was for many years the world’s leading computer hardware company. Innovations such as the floppy disk count towards the great achievements in its history. It was in the early 1990s, that severe problems started to surface at IBM: growth was stagnating, smaller innovative systems were beginning to take the lead in the computer market and profits tumbled by as much as $5 billion in 1992. While there may have been a number of causes for IBM’s difficulties, one of the biggest challenges was the insular, powerful bureaucracy and inflexible organisational hierarchy. Along the lines of Burgelman’s (1983) findings, the large IBM apparatus inhibited innovations, viewing new business opportunities as threats to its core competences. In addition, IBM’s orientation was concentrated on short-term results rather than placing value on strategic business building. What was even more disturbing at IBM was that even if new ventures were developed they often failed in execution due to inadequate entrepreneurial leadership. To tackle the problem, the company applied a model to its multi-business matrix organisation that divided its portfolio into three horizons (labelled ‘H’), based on their stages of development. H1 businesses were mature, well established branches of the company, H2 businesses were on the rise with accelerating growth, and H3 businesses were emerging opportunities. Each of the businesses – by definition – requires a different management system with its distinctive strategic and operational characteristics. IBM took massive efforts in its reorganisation along these lines assuring that corporate guidance from the top was combined with supervision in line authority and accountability so as to achieve the highest possible efficiency. By December 1999, IBM had instigated an Emerging Business Opportunities (EBO) programme that focused on how the three-horizon model would be best adopted. Once that had taken place, the EBO management system was driven from a central unit (led by a senior executive to signal its credibility and importance), while keeping sufficient responsibilities with line

\textsuperscript{12} Tobias Becker, Corporate Strategy, ABB
management. From then on the focus of the EBO programme became a selection of seven H3 businesses that showed the highest potential in terms of resource requirements, thorough business plans and perceived added value. It was the programme's task to nourish these ideas and eventually transform them into profitable H2 and H3 units. In addition, the EBO programme’s task was to ensure that the emerging businesses were adequately funded and resourced. The key elements of the EBO management system were: leadership, strategy development, resources and tracking/monitoring.

By 2003, the EBO programme had generated a number of notable successes. Linux Operating Systems and Life Sciences (two of the EBOs) where generating over $1 billion in revenues per year. In total there were eighteen EBOs successfully producing revenues for IBM. However, none of them were reintegrated into the groups or turned into a traditional IBM management system. It seemed odd that the transition to H2 or even H1 businesses had not yet occurred. While IBM reinvented itself and successfully supported and created innovative ideas, unsolved problems persist until today. In addition to the aforementioned transition issues, the question remains as to how many EBOs are feasible. Even if EBOs could increase in number, their number cannot be infinite. Simultaneously, more than eighteen EBOs are needed in order to achieve IBM’s goal of them contributing two percentage points of incremental revenue growth annually.

While IBM is not the only example of how companies could organise their processes in order to encourage new ventures (and also too imperfect in its details to be exemplary), it is certainly one of the most reported cases. IBM’s dedication to promoting new business activities has been cited by many scholars and practitioners alike.

ABB

When designing its current strategic planning process, ABB had been willing to adopt ideas and concepts from other organisations and strategy consultants. Example techniques include strategic comfort level analysis and finance comfort level matrix approaches to assess their business divisions. One of the most significant characteristics of ABB’s strategic planning process is the concept of ‘deep dives’. On an ad hoc basis, teams are set up to explore specific issues or challenges that are strategically significant on a companywide level. The idea was borrowed from IBM. Deep dives can take place at any point in time of the year and are either event triggered or request triggered. For example, an event triggering a deep dive was the escalation of commodity prices in
2004/2005. A request triggered deep dive was initiated by the Chairman who requested a study of opportunities from ABB as a result of developments in wind power. Fifty percent of deep dives are triggered by underperformance and fifty percent by the emergence of business threats. Usually, the corporate strategy department pools all necessities for deep dive meetings and decides which people need to be present. This could include people from the strategy department, a certain number of functional people related to the issue (for example, accounting or IT) from the divisional level, or from the geographic region. The purpose of deep dives is to deal with unforeseen events when they occur. It is also a way for ABB to analyse, discuss and decide how to implement new business ideas (cf. request triggered deep dive).

The outcome of a deep dive impacts the company’s strategic plan. Results are transferred and the plan adjusted accordingly.

**BASF**

Due to the fact that BASF is an international, diversified and complex organisation, the emergence of new business opportunities is very much a structured process. It starts with the strategic positioning of the company’s business units. This positioning process is the basis for resource allocation including funds for new projects that arise either from R&D or M&A activities.

Each of BASF’s seventy-two business units is classified strategically. There are five categories: expansions, moderate expansion, hold market position, repositioning/cash-flow optimisation and divestment. Classification occurs annually through the strategic plan. In accordance with divisional classification, capital expenditure budgets are set for three to five year periods on the basis of a specified percentage of after-tax operating cash flow. The highest category – expansion – ranges from 50% to 100% of cash flow. Units that are supposed to hold their market position receive around 30% of cash flow. Within these capital expenditure budgets a separate appraisal process takes place to decide upon the funding for individual projects. A formal part of the strategic planning process is to come up with ideas for future developments. Clearly, these ideas are driven by each unit’s classification. Expansion units might identify possible M&A candidates while others might take a closer look at R&D possibilities. The appraisal process for business development is undertaken by so called commissions whose task is to evaluate investment projects of less than €2m plus all M&A proposals. There are twelve commissions for capital investment projects and another twelve for M&A proposals.
Members of these commissions include two people from the corporate planning department (normally the two most senior employees), a management board member, who is responsible for the particular division that puts forth the proposal, as well as divisional representatives. Sometimes investment proposals occur outside the strategic plan. While they are not customary, they will nonetheless receive attention from the relevant commission to ensure a fair responsiveness to all emerging business opportunities.

R&D budgeting constitutes a somewhat different path. Since R&D is expensed, it is approved as part of the operating budgets of the strategic business units. However, since R&D projects are normally time consuming, lasting for more than one year and require substantial technical knowledge, the overall process is managed by a corporate R&D department. The corporate department plans for three years on an annual, rolling basis. The allocation process includes different considerations such as whether innovation is crucial for the lifecycle of a particular product, or how successful a strategic business unit has been in the past in bringing a new, innovative product to the market.

The case of BASF shows that the emergence of new business ideas and opportunities can be effective even though it is highly structured and formalised. The company’s history has shown that its thorough testing via investment commission normally results in strategically relevant and successful additions to the company’s product line and portfolio.

**Newell Rubbermaid**

In line with Newell’s historical development, external growth is considered as *the* way forward. Business development thus takes the form of acquiring companies and is seen as a joint effort within Newell. The relationship between Newell’s hierarchical segments is characterised to be very dynamic. In principle, there are three sections: Corporate (governance, capital), Group (operations/sourcing, product portfolio, logistics) and Divisions (customer, brand and consumer). The first impulse of new business development usually comes from within the division; normally in the form of a proposal via the strategic plan. While the need to acquire a company needs to be justified by the divisions, and in some cases a range of potential takeover candidates is previously proposed, the final selection analysis lies with the M&A department. The latter analyses potential takeover firms, and based on their analysis senior management makes the final decision. As a diversified company, Newell’s strategy is to concentrate on core
competences; hence, all acquisitions must fit the existing product portfolio. Due to the level of communication and integration, divisions have never overlapped in their external growth strategies. Once purchased, a firm is subject to ‘newellisation’, which means that the new product line will be managed by an experienced Newell manager. This step is designed to guarantee maximum speed and efficiency in the integration process.

Newell’s business development process proves the importance of the strategic planning system to generate, develop and execute new business ideas. The following diagram details the level of business growth each division can pursue.

**Figure 25: Growth at Newell Rubbermaid**

Each business can expand geographically as well as increase its product line. ‘B’ is the label for business unit – the starting point of the expansion process. Geographic expansion can occur domestically (here, the US) or globally. Product line extension can be in the form of making additions to already existing products, or in the form of purchasing a new product line from a competitor. In cases of line extensions and new
purchases there may be a ‘grey area’ in which the category the new product belongs to is not clearly defined. This may lead divisions to hesitate making a decision on whether or not to acquire the new product. In cases of doubt, senior management makes the final decision. The last possibility illustrated in the diagram is simultaneous growth, which means through location and product. This process is labelled ‘diversification’ in the diagram. The majority of Newell’s growth projects is normally by product extension and not by location.

**Knorr Bremse**

In the past, stressing the importance of growth projects and taking actions accordingly was very much the job of shareholders (in Knorr Bremse’s case this means the owners since the company is privately owned). Some two years ago the strategic planning department put forth the idea that growth and profitability initiatives should be formally monitored. Today, Knorr Bremse has a formal growth projects programme that is run by the strategic planning department. The projects are split into three categories: emerging markets, new business opportunities, and core businesses. Each project is headed by a project responsible. Project responsibles typically come from line management and supervise a growth project in addition to their regular jobs. Tracking occurs via a web-based tool that describes the project’s progression in regular intervals. The generation of project ideas is seen as a joint and creative effort at Knorr Bremse. For instance, a product manager as well as a staff member involved in R&D can bring forth an idea. Running projects are classified by degree of implementation on a scale from 0 to 5 where 0 stands for the mere idea and 5 for a fully implemented project, such as the finalised construction of a plant. Each project runs on a different timeline depending on the nature of its business. To extract maximum efficiency from these growth projects there are employees from a variety of backgrounds and functions involved. As Knorr Bremse’s success is driven by technology innovations, a new business idea is normally a joint effort between R&D and strategic planner and/or top management. Regular team meetings every two months ensure that the development of projects is discussed in real-time.
6.3.1.2 Companies with medium support for new business ventures as part of their strategic planning system

National City
Due to National City’s current strategic planning restructuring process, the way new ideas can be fostered has not yet been finalised. Part of the reorganisation process is to increase cross-business communication in three steps: Clearly defining the boundaries of each division, active talk between business representatives to exchange ideas and talent management. The company sees great potential in fostering business development with improved communication. In the case of National City, business development is defined as “new ways to think about the current portfolio”\(^{13}\) rather than striving to develop completely new lines of business.

The current rethinking that is supported by the corporate strategy department and is to change the company’s culture from one of short-term goals to long-term value creation. A change in company’s culture is considered to generate potential and innovative business ideas in an informal way. Currently, there are examples of active support for future development. One of these is the executive development programme (EDP), in which ‘best-in-class’ employees are picked to work on a strategically relevant topic such as National City’s international market presence. The EDP can be viewed as a type of incubator for new ideas. While the idea behind this programme is one of great potential in terms of creating ideas, it seems that its execution is somewhat lacking. While EDP participants take on this task in addition to their day-to-day operations, their activities are still influenced by business divisions causing them to feel somewhat restrained in their ideas. In addition, the implementation of results is not clearly defined and lacking structure. Often, the results of an EDP project come in the form of certain recommendations: normally steps to be taken in the future. However, National City faces the problem that recommendations often remain recommendations and that they are not implemented in the way they should be. Clearly, this is a major pitfall in steering the company with forward-thinking business ideas.

\(^{13}\)Clark Khayat, Corporate Planning, National City


Eaton Corporation

New business development is part of the strategic planning system at Eaton but not one that receives undivided attention. The process is rather seen as one that arises from strategic need. New business ideas come mainly from within the business groups and are mentioned as part of the annual strategic plan. Issues could be the sale of a product line or the acquisition of a competitor. While the impulse normally stems from the divisions, it is ultimately senior management which makes the final decision on new projects that lead to investment decisions. Convincing senior management of new business development ideas demands a lot of detail, effort and justification. While the strategic planning system provides for opportunities to raise creative ideas, corporate culture rather takes on a discouraging tone in this respect. Having to repeatedly justify and analyse potential business ideas sends a negative signal to the individuals who might come up with ideas. New business development thus feels like a stumbling block rather than a stepping stone.

Bosch

Bosch does not encourage business development in the same way or with similar force as its competitors. The findings revealed that initiating new business ventures at Bosch is very much a political process. The head of corporate strategy recognises this problem and hopes for the situation to improve. Currently, however, new business ventures are more a matter of receiving support from the right people who in turn can convince senior management that a particular new idea might be worth supporting.

The corporate planning department at Bosch is about six years old. Before its establishment, coordination and control had been exercised through budgetary and operational planning with the CEO in charge of strategic planning on an informal basis. The realisation of an increasingly uncertain future led Bosch to found a corporate planning department. While the strategic planning process has now been formalised, it still remains one very much driven by control. This fact results in two issues related to the development of new business ideas. For one, there is an imbalance between control and strategic thinking. The current process is effective in creating a structure for corporate control over divisional strategies and performance. It does so by ensuring that divisions reveal a substantial amount of information about their ideas and intentions, which in turn means that corporate leaders can effectively control and approve strategies, budgets and divisional performance. In fact, strategic planning is seen as a
kind of contract between divisions and top management: Performance successes and goal achievements are directly linked to divisional management’s incentives and reward system. The other side of this control-driven process is that it is equally ineffective in dealing with explorational issues such as generating new ideas for future development of the company. Questioning perceptions and new ways to think about business development are not directly linked with the divisional strategic planning and its reward systems, thus discouraging any ‘out-of-the-box’ thinking. Another characteristic of the planning process at Bosch is that the format of strategic meetings does not particularly encourage in-depth discussions. Just like the process itself, strategy meetings tend to be quite controlled, thereby not giving participants the opportunity to discuss strategic business development ideas.

The initiation and interview process of this particular study resulted in motivating Bosch to tackle the issue of fostering new business ideas and creative strategic thinking in the future. When designing its current planning process the company did so with its current business divisions in mind. While they appeared to be in need of a clearly structured and control oriented process it is unlikely that it will foster innovation, growth and emerging business ideas in its current form. As can be learned from other examples in this study, having a formalised planning process does not mean that it only can exercise control. Cases such as IBM, ABB, Knorr Bremse and Newell Rubbermaid show that control can be combined with elements of creating business ideas.

6.3.1.3 No provisions for new business development in strategic planning system

While cases of Knorr Bremse and BASF prove that the generation of new business ideas is not only part of the strategic planning system but also a crucial element in setting the company’s future direction, there are examples at the other end of the spectrum. Within this study, these examples relate to NASPA and Goodyear.

Let us first examine the story told at NASPA, the German regional bank. The regional banking industry in Germany is experiencing tough competition. While one might intuitively guess that the search for new business ideas could be one way to differentiate the bank from its competitors, it is NASPA’s belief that focusing on its core businesses and improving them is the way into the future. Another reason is that the strategic planning process and department are relatively new and are still in the developing process. The leadership of the bank consists of the top management team (CEO and his
officers) and the executive board, where, amongst other independent directors, regional political representatives act in the interests of the region’s citizens. This means that strategic planning is very much a top down process in respect to new idea generation and emerging business implementation. Only when a new product or business can be classified as beneficial to the region’s citizens and thus customers, can the issue be further pursued by strategic planners. Similar to National City, NASPA’s goal is to create new ways of thinking about its current businesses instead of inventing new business ideas. The company thus initiated a company-wide strategy review by interviewing key divisional people and by sending out questionnaires to additional staff members throughout the company’s hierarchy who are relevant to strategic planning. The goal of this initiative is to improve the current strategy process as well as to find common ideas on how to steer the company in the future.

Goodyear constitutes a peculiar example in strategic planning, which also explains the fact that the planning process does not provide for new business development. First of all, there is no formal corporate planning department at Goodyear. Planning is coordinated by the finance department, which transfers all planning responsibility to the business unit level. New initiatives are only those related to new tire technology and are thus entirely R&D driven. In fact, the guidelines issued by Goodyear’s CEO dictate that the company solely concentrates on its core product of tire production. The focus on Goodyear’s core business was reinforced by the sale of the company’s engineered products division (EPD) to the Carlyle Group in Spring 2007. EPD initially emerged out of Goodyear’s interest in expanding the business and exploiting new business ventures. However, the corporate focus on the core tire business has put a halt to the development of new business ventures.

6.3.2 The role of strategic planning

A key starting point in this study’s findings was the acceptance of companies that strategic planning is not and cannot be designed to make strategy. Strategic planning processes described by literature in the 1970s and 80s very much stressed the goal of crafting strategy. Reality is a different story. If at all, the analysis of threats and opportunities in strategic plans sometimes serves as a basis to make strategic decisions. Starting in the 1990s, an increasing amount of writers predicted the demise of strategic planning. It was seen as old fashioned, static, and inflexible. However, the interview
data showed that strategic planning is by no means dead. The contrary is true: It is a vital process in any firm, the “strategic backbone” — a glue that connects senior management and business divisions. The evidence from this study points to three key roles:

*Strategic planning as a mechanism for coordination*

The case study evidence suggests that strategic planning is an important administrative mechanism. By coordinating the planning process the strategy department acts as a communicator between divisions and senior management. International companies such as the majority of cases in this study are often decentralised to a certain degree. Their decentralised structure lends a certain amount of autonomy to business divisions, which is also evident in the proceeding of the planning process. Business units need to prepare their individual business plans and pass them on to the planning department, which in turn is in charge of compiling an overall corporate plan. This finding is in line with results from Ruigrok, Pettigrew et al.’s (1999) study on corporate structure. The authors report a shift away from “command management styles to facilitate and empower [divisions]” (p.39).

At ABB, the coordination aspect is particularly relevant when it comes to organising deep dives. ABB’s operations are, to a large extent, located in fast moving technology sectors. A change in those environments can often trigger the need for a deep dive in order to adjust the strategic plan. ABB’s corporate strategy department is in charge of coordinating each deep dive. This involves the assessment and invitation of relevant participants which could be a certain number of functional people (R&D, accounting), divisional representatives (regional or business unit), and in each case a member of the strategy department.

The role of strategic planning as a coordinating mechanism is also evident at BASF. BASF’s planning department has a powerful position in the organisation due to the company’s distinctive features: its size (BASF is the world’s largest chemical company), its diversity (the company produces around 8,000 products) and its high level of integration (which BASF labels ‘Verbund’). BASF’s integration extends well beyond the linear and vertical integration otherwise typical for chemical companies. The company has a very dense network of operational linkages that enables them to use

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14 Dr. Stefan Blank, Strategic Planning, BASF
many by-products from its chemical production in other products manufactured by the company. The ‘Verbund’ is facilitated by close physical linkages such as the fact that most of BASF’s production sites are located in and around Ludwigshafen, Germany, where the company is headquartered. BASF’s multifaceted nature adds to the complexity of the planning process, making it internally the central coordination mechanism (“everybody knows that a centralised strategic planning function is very important”\textsuperscript{15}). The department organises meetings, planning documents and commissions for the assessment of new business opportunities.

The coordination aspect of strategic planning can be witnessed in every company included in the case study sample, however not to the extent to which it plays a role at BASF. All planning departments are in charge of disseminating information to divisions regarding the content of strategic plans and then compiling outputs from business units into one comprehensive corporate plan. At Knorr Bremse, the planning department – apart from collecting and consolidating plans developed by each centre of competence – continually evaluates the overall planning process to improve coordination on a regular basis. Similarly, National City reduces the control aspect of the strategic planning department thereby stressing its supportive, coordinating role. The department further organises monthly meetings with the management teams of each group to review and discuss strategic issues.

Eaton views the role of strategic planning predominantly as an administrative one. The planning department coordinates meetings, the content of the corporate strategic plan and the OCA. These functions stress the importance of strategic planning as a coordination mechanism at Eaton.

\textit{Strategic planning as a mechanism for control}

The evidence suggests that the aspect of strategic planning as a way of exercising control is relevant yet on a decreasing scale. There are two ways by which strategic planning can exert influence on divisions: In a first step the planning mechanism manages the inputs into planning guidelines. The second step is the output delivered by business units. The planning department, who is in charge of the overall planning process, revises and approves divisional plans. The output side often involves quantitative data, and therefore provides the planning process with an opportunity to

\textsuperscript{15} ibid.
control performance targets. This characteristic is evident in the case of Goodyear in which the finance division is in charge of coordinating the planning process. Every year between September and October, Goodyear’s business unit representatives negotiate deliverables with the CEO and CFO of the company. This is a vital step in the strategic planning process and results from these negotiations are recorded as part of the strategic plan. Similarly, evidence that planning is a mechanism of control can be found at NASPA. As a regional financial service provider the company follows a top-down approach in which a dominant part of the divisional planning efforts are concerned with meeting financial goals and restraints set by senior management.

BASF constitutes an example of mixed levels of control. For one, financial control is exerted by capital expenditure planning. Business units are classified by market positioning such as growth, reposition or spin-off. They receive capex budgets on the basis of a specified percentage of after-tax operating cash flow. The other aspect of control concerns the process that determines the annual selection of business units that need to renew their strategic plan. At the beginning of each year the planning department determines those business units that need to prepare a new strategic plan. Affected business units and senior management are accordingly. In addition, BASF’s corporate strategy department – similar to all other cases in this study – sets the guidelines for the content of the strategic plan.

Bosch believes that the control aspect of strategic planning is an ambivalent issue. Their planning procedure represents a tool to create a structure of corporate control over divisional strategies and performance. Bosch’s planning process ensures that divisions reveal considerable information about their intentions and performance. This process allows the planning department to approve divisional strategies, set budgets and monitor performance. A key aspect here is the idea that the strategic plan effectively creates a contract between top management and each division. This contract is reinforced by tying strategic goals directly to divisional management incentives and the bonus system.

At the opposite end of the spectrum is National City. With its new head of corporate strategy, the company recently launched a renewed strategy planning process. The move away from a control-oriented process symbolises the radical change of the planning process. Traditionally, National City is a company driven by structure and control. The shift away from an organisational culture of control is embodied by a new strategic planning process that is defined by creative thinking and continuous improvement.
Divisions no longer feel the pressure of being controlled but rather see corporate planners as supporters who provide guidance whenever necessary.

Strategic planning as communication device

The analysis of interview data showed that the role of strategic planning as a communication device was emphasised by the majority of companies. The format of communication mechanisms may vary but the core idea is that “the left hand knows what the right hand is doing”. The complexity of managing information flows becomes more difficult the larger and more diversified a company gets. Particularly ABB, BASF, Bosch and Newell Rubbermaid are companies that operate in various, sometimes unrelated business fields. Communication needs to be open, fast and flexible for all parties to be sufficiently informed. Thus the planning department takes on the role of managing information flows from divisions to corporate management and vice versa. In fact, BASF describes its planning department as the “intermediary between the board and other businesses”. In this context, the department takes on the role of supporter, challenger and inquisitor. In relation to the board, for example, the department acts like a divisional representative, defending divisional proposals while challenging demands from the top (‘supporter’). Vis-à-vis businesses, the planning department’s role is to propose and challenge (‘challenger’ and ‘inquisitor’) thereby representing the interests of the board. The Bosch example tells a similar story. The communication role of the department changes depending on the partner they communicate with. On the one hand, corporate planners take on the role of internal consultants towards businesses, supporting and advising them in their strategic planning activities when possible and necessary. The other side of the coin is when the department acts as ‘corporate rottweiler’. This expression refers to the idea that the planning department exercises control over business divisions thereby taking sides with senior management. At Knorr Bremse the planning department emphasises its support for the company’s business divisions. Continuous communication via discussions, meetings and informal talks between planners and centres of competence ensure a smooth information flow. Similarly, NASPA describes one of the purposes of the planning process to “have everyone on the same level”. Most companies in this study echo this idea. Particularly

16 Tobias Becker, Corporate Strategy, ABB
17 Dr. Stefan Blank, Strategic Planning, BASF
18 Dr. Michael Sohl, Corporate Strategy, NASPA
National City repeatedly emphasises the role of the planning department as internal consultants who help and advise divisions. In addition, they state to be especially receptive to feedback from both divisions, and senior management to be able to adjust the new planning process as effectively as possible. At Newell Rubbermaid, strategic planning is also described as a communication device. Its purpose is to support and facilitate the fulfilment of overall strategy by ensuring a complete and smooth flow of information.

_Planned emergence_

Previous sections have analysed various roles of the strategic planning process. Coordination, communication and control are mostly processes that are driven by the corporate planning department and serve as a mechanism to administer the quality of strategic planning in any given company. In addition, this chapter discussed the implications of effectively initiating new business venture as part of the strategic planning system. Apart from two companies that explicitly stated why they do not engage in developing new business ideas, it was clear that all other companies from this sample engaged in some kind of new business development. In some cases, such as ABB and BASF, the new ventures are developed through a mechanism in the strategic planning process. Others, such as Newell Rubbermaid and Knorr Bremse, develop their new business ideas in a separate process whose results gets integrated into the strategic planning process. These findings show that most companies are inevitably confronted with a duality of requirements: creativity and control – an approach that shall be labelled ‘planned emergence’.

The concept of planned emergence is further supported by the generic planning framework and timeline discussed in section 6.2. The planning framework showed that there are common formal elements of co-ordination and control in almost every strategic planning system. However, the occurrence of ad-hoc meetings and unforeseen circumstances demand a level of flexibility from strategic planning processes. Thus, planned emergence reconciles autonomous, flexible strategic planning elements with a structure demanding clear targets and performance guidelines.
6.3.3 The format of strategic plans

The third area of this study’s key findings lies in the characteristics of the format of strategic plans. According to the literature and real-life examples, the content of a strategic plan is a presentation, mostly in PowerPoint (PPT) format. Evidence from this study shows different examples of detailed text reports that are supported by PPT presentations. This shift from a point style format was described in a 1998 article (Shaw, Brown et al. 1998). The article is a portrait of the company 3M that reformed the style of its strategic plan from a bullet list into one characterised by storytelling. In the past, 3M’s strategic plan consisted of a standard format: the bullet outline, often seen as the most economical way to describe complex issues. However, over the years the company realised that bullet points are very generic and a list of strategic goals sometimes reads as if it could apply to any random company and not 3M in particular. Critical assumptions were often neglected or not stated which in turn left managers oblivious as to what was expected of them. Faced with this problem 3M decided to plan by narrative. Strategic plans transformed into storytelling. Planners nowadays produce a text that starts by describing the current company situation in a comprehensive manner. Then the plan introduces ‘dramatic conflict’ that tells of the challenges and obstacles the company faces, and finally reaches resolution by describing a logical and concise solution to the problem.

Similarly, ABB stresses the importance of producing full-text documents as strategic plans. As one of the most sophisticated and detailed planning processes in the selection of cases, the company believes that PPT presentations can never explain the full logic and thinking behind strategic planning. They feel that plans tend to be too crowded with unnecessary information. To avoid lengthy documents ABB allows divisions a total of 5 pages each for their business plans. The overall corporate strategic plan is thus 40 pages long (five pages from four divisions plus twenty from the corporate planning department).

In a less formalised manner, BASF’s SBU plans are predominantly qualitative. While there is no rule about the plan’s length, it is written in full text. Eaton and Newell Rubbermaid propose a mixture of information. Their strategic plans possess an equal amount of qualitative and quantitative information. Both companies’ divisional plans are approximately twenty-five pages long.

There is one company in our case study sample that produces a strategic planning entirely in PPT format: Knorr Bremse. Each divisional PPT document contains a large
amount of slides (approximately 100) with information containing market development, strategic positioning and channel positioning.

6.4 Findings and discussion: link to propositions

The first part of this chapter provided a comprehensive understanding about the strategic planning process, characteristics, common features and main differences between the case studies. The exploration of strategic planning by various emergent themes creates a holistic picture of the topic and therefore leads up to finally linking this study’s empirical findings to the theory lenses discussed in Chapter 3.

Each proposition will be discussed in turn. Every discussion starts with a general evaluation of relevant findings and concludes with a tabular overview that details the significant points for each of the nine companies of this study. Using a scale from zero to five each company will be given a weighted value according to the research’s findings. Five represents strong support, zero no support. The average number will be depicted at the end of each table. This number represents the overall evaluation of the proposition.

While this weighting process might be a somewhat subjective exercise, it is useful in a comparative sense. The relative values will give insight into the case study findings, thereby enabling the explanation of a certain sample variance. The scaling of outcomes is meant to illustrate the relative strength of finding (or not finding) support for propositions. It should not be interpreted as an absolute test but rather as a guideline to illustrate the proposition test procedure.

With values 0 and 5 on either end of the scale demonstrating ‘no support’ and ‘full support’ respectively, all values between 1 and 4 will be interpreted as ‘partial support’ – with an additional differentiation of ‘weak’ and ‘strong’. For instance, an overall sum of ‘2’ shows ‘weak partial support’, i.e. less than half the companies in the sample provided supportive evidence.

Each proposition will be tested and the results evaluated by the aforementioned grading scale. Due to the qualitative nature of the case study findings, this may be a somewhat subjective process but one that calls for the interpretative ability of the researchers. The process of attribution of scores was similar for each proposition: the key elements (variables) of a proposition were identified. Subsequently, each case study protocol was
analysed in view of the identified variables. In the case of proposition 1b for example, the relevant elements were ‘formal planning process’ and its causal link and ability to generate ‘competitive advantage’. The analysis starts by describing if the company in question possesses a formal planning process and if so, how this process can be seen as a dynamic capability, which in turn could result in competitive advantage. The tabular overview only depicts the relevant points in support of the proposition. These individual points represent a score on the grading scale of 1 point each. The right hand column of each table summarises the total points per company.

The use of the 0-5 grading scale can also be illustrated by proposition 2d which deals with the analysis of Hofstede’s cultural dimensions. In total there are 5 dimensions: uncertainty avoidance, power distance, masculinity vs. femininity, individualism vs. collectivism and long-term vs. short-term orientation. Each company was looked at individually. One supported dimension translates into 1 point, i.e. if support was found for power distance, the company scored 1 point correspondingly. This in turn meant that the total possible score for each company was 5 – in correspondence with the grading scale.

The discussion and evaluation of each proposition will conclude the analysis of research findings.

6.4.1 Theory lens I: RBV and dynamic capabilities

The findings from this study showed that every company possesses a strategic planning procedure. There are certain generic characteristics such as the guidelines of the plan, a certain timeframe and regular meetings. Most of the companies studied in this research comprise planning cycles that possess a healthy mixture of formality and flexible components. The planning process is typically run by a designated strategy department (with the exception of Goodyear where no such department exists and the process is run by the finance department).

In his original article, Barney (1991) makes two fundamental assumptions about RBV: That resources are distributed heterogeneously across firms and that these resources cannot easily be transferred from firm to firm. Resources can occur in different forms such as patents, relationships or processes. They normally fall into categories of physical, human and organisational capital resources. Since the strategic planning
process is a form of coordination, control, as well as communication, it could be interpreted as an organisational capital resource. In addition, every firm could theoretically possess a strategic planning process run by a designated department (heterogeneous). Even so, the process is not easily transferable to any other firm since it is tailored to the particular needs of an organisation. For a resource to be a source of competitive advantage it must pass the VRIN test (valuable, rare, imperfectly imitable and non-substitutable). While strategic planning is undoubtedly a valuable resource (V), it fails the other tests (RIN): Since all companies studied in this research have a planning system the resource cannot be defined as rare. Furthermore, the process components are often public knowledge. Strategic planning elements can be transferred by the flow of organisational employees and the exchange of their ideas, from strategy consultants moving from company to company, and by publications in the press. The last test – non-substitutability – is a little more difficult to analyse. Most companies in this research sample are of the opinion that they possess a planning process most suitable for their specific needs. This may be in terms of dealing with unforeseen changes in the environment (for example, deep dives at ABB), or a more formal procedure where control needs to be exerted (such as NASPA in the German regional banking sector), or BASF’s integrated approach that embodies the company’s ‘Verbund’ structure. In this sense they are tailored to the company’s needs and are hard to substitute. Whether strategic planning passes the ‘N’-test depends on the interpretation of the degree of substitutability. As a process itself, strategic planning cannot be exchanged for another process that deals as equally effective with planning procedures. As a consequence, planning passes the ‘N’-test. However, if the substitution-process deviates only slightly from the standard planning process, it might work as effectively as the original planning process. Consequently, planning would not pass the N-test.

Teece, Pisano et al. (1997) set out and defined dynamic capabilities in terms of reconfiguring resources to meet changing competitive conditions. The dynamic capabilities approach tries to address a number of shortcomings in the resource-based view. Dynamic resources are those that help a firm maintain its competitive advantage by adapting to changing conditions thereby bridging the gap between external factors and internal organisational processes. The concept of strategic planning is the key to designing appropriate responses to environmental development in the company’s future no matter how limited
predictability may be. A capability is defined as an internal organisational process or functional competency. All companies researched in this work have a planning process that fits this description. Firstly, the process is internal to the organisation. Planning procedures consist solely of steps executed by a company’s own employees and cannot be outsourced. Secondly, the term ‘dynamic’ refers to changing environmental conditions. Here, the findings are somewhat mixed. Knorr Bremse, for example, is positioned in a market that can be characterised as static. It is thus impossible to say whether its planning system could actually deal with rapid environmental changes. A different set of evidence is established by Goodyear and BASF whose dynamics are entirely driven by R&D in technology. At Goodyear, new tire technology is developed at the BU level. Technological inventions are implemented and get automatically incorporated into the strategic planning process. BASF’s story is a little different. Even though the company operates in chemical markets that change rapidly, the ‘Verbund’ allows the planning process a certain amount of control. Strategic planning is an effective tool to coordinate the ‘Verbund’ but the nature of BASF’s R&D-driven businesses renders the planning process only partially dynamic.
The other companies in this study’s sample – ABB, Bosch, Eaton, NASPA, National City and Newell Rubbermaid – do not operate in fast changing environments but still need to adapt to changes in the environment if and when they occur. At ABB deep dive events deal with changes in the company’s environment. This is an effective way to respond to environmental changes in the shortest time possible.
Newell Rubbermaid arranges quarterly review meetings between corporate leaders, planners and divisions to identify possible deviations and issues arising in the competitive landscape. At National City and NASPA the problems of changing environments are slightly less pronounced. The regional banking sector is relatively stable and hardly prone to new market entrants. The banks are under a certain amount of pressure from state regulations and have a standardised way of dealing with new regulations. Strategic planning at National City and NASPA could be defined as a capability but not necessarily a dynamic one.
In summary, the strategic planning process displays characteristics of a capability. However, there is mixed evidence when it comes to defining the planning process as ‘dynamic’. Most companies operate in changing environments; however, the pace of these changes is not necessarily a fast one.
<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>- Strategic planning process = dynamic capability (1)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>- Environmental turbulence: medium (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Deep Dive: fast and efficient way to deal with unforeseen circumstances (1)</td>
<td></td>
</tr>
<tr>
<td>BASF</td>
<td>- Strategic planning process = dynamic capability (1)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>- Environmental turbulence: high (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Verbund: consensus-driven strategic planning process, numerous control points, effective but not always fast in dealing with turbulence (1)</td>
<td></td>
</tr>
<tr>
<td>Bosch</td>
<td>- Strategic planning process = partial dynamic capability (1)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>- Environmental turbulence: medium (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Planning not a well-respected process, no confidence that it can deal with uncertainty (0)</td>
<td></td>
</tr>
<tr>
<td>Eaton</td>
<td>- Strategic planning process = dynamic capability (1)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>- Environmental turbulence: cyclical (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Planning done by division and functional area. Plus OCA. Unforeseen circumstances can be dealt with (1)</td>
<td></td>
</tr>
<tr>
<td>Goodyear</td>
<td>- Strategic planning process = partially dynamic capability (1)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>- Environmental turbulence: low (0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Company has one product line and has</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Strategic Planning Process</td>
<td>Environmental Turbulence</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------</td>
<td>--------------------------</td>
</tr>
</tbody>
</table>
| Knorr Bremse    | Strategic planning process = dynamic capability (1)  
- Environmental turbulence: low (0)  
- Stable market but technology driven. Company has innovative R&D department; is considered the “innovator” in its niche (1) | | 2 |
| NASPA           | Strategic planning process = capability, but not necessarily dynamic (1/2)  
- Environmental turbulence: low (0)  
- Rigid planning process but turbulence not expected; larger banking scandals (e.g., sub-prime crises do not affect regional bank) (1/2) | | 1 |
| National City   | Strategic planning process = partially dynamic capability (1/2)  
- Environmental turbulence: low (0)  
- Subject to state regulation but hardly any expected turbulence due to protected market (1/2) | | 1 |
| Newell Rubbermaid | Strategic planning process = dynamic capability (1)  
- Environmental turbulence: medium (1)  
- Has process in place to continuously innovate and expand through acquisitions; risk taker. Planning as a way of integrating new companies (1) | | 3 |
| Overall         |                          |                          | Ø 1.78 |

Proposition 1a: Formal planning processes can be seen as a dynamic capability in turbulent environments.

⇒ Weak partial support
Regardless of whether one sees strategic planning as a firm resource or dynamic capability the question remains whether it can be a driver of competitive advantage.

Under normal market conditions a firm will try to minimise its costs, optimise its resources and differentiate itself from rivals. Building on Barney’s (1991) definition of rare resources, Priem and Butler (2001) state that instead of rarity “it is the relative difference in the amount of value generated by firms that is elemental to competitive advantage” (p.29). The strategic planning process can be seen as a supporting or executing function of generic company strategy. One of the core purposes of the strategic plan is to distribute resources and that in turn are linked to budget planning. At Eaton the planning process is supplemented by a separate organisational capability assessment to ensure sufficient and efficient distribution of company resources. ABB on the other hand is very effective in dealing with unforeseen events in form of their deep dives allowing the planning system to incorporate changes in a flexible manner. This unique ability is a clear distinction from ABB’s rivals. While the planning process might not be a rare resource as such it demonstrates the relative superiority in adapting to changes in the environment.

Eisenhardt and Martin (2000) state that firms use specific processes to alter their resource base to gain an advantage. Consistent with RBV logic however, dynamic capabilities per se cannot be the source of competitive advantage. Rather, if they are “applied sooner, more astutely, or more fortuitously” (p.1117), firms can achieve a long-lasting competitive advantage over rivals. The duration of this advantage is dependent on the dynamics of the environment. Similarly, Barney, Wright et al. (2001) find that there is a certain element of luck involved in adapting process resources to changing market conditions. Competitive advantage will last as long as a firm is able to change quickly but the value of a particular set of capabilities “must be evaluated in the market context within which a firm is operating” (p.631). Within this study’s cases, only ABB and BASF expressed distinct satisfaction with their planning process that enables them to react quickly to changing market conditions. Both companies felt that the process in place ideally exploits specific company characteristics that allow them to be one step ahead of rivals. In this very opinionated context, one could conclude that there are elements of planning processes that might drive towards competitive advantage. However, it would be too far fetched to attribute any clear competitive advantage to the formal planning process. For this purpose other empirical tests, such establishing a clear
link between performance and planning system in a longitudinal study, would be needed.

Overall, the findings of this study show that strategic planning can result in positive benefits for a company but is not directly the driver of competitive advantage.

**Table 7: Findings proposition 1b**

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>- SPS is not rare; it is imitable (ABB copied Deep Dive idea from IBM) (0)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>- Hard to substitute (process is designed around ABB’s structure and needs) (1)</td>
<td></td>
</tr>
<tr>
<td>BASF</td>
<td>- SPS is a standard process that is imitable (standardised calendar-driven planning cycle) (0)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>- “Verbund” makes BASF unique, it is rare, hard to imitate and not substitutable. It is a driver of the planning process and also of BASF’s competitive advantage (1)</td>
<td></td>
</tr>
<tr>
<td>Bosch</td>
<td>- SPS is neglected process, standardised and formal (0)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>- Not a source of confidence and uniqueness (0)</td>
<td></td>
</tr>
<tr>
<td>Eaton</td>
<td>- SPS itself is standard, calendar-driven process that drives budgeting – easily imitable (0)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>- Uniqueness in OCA – distributes resources across company. Plus every functional department is highly involved in strategic planning (prepare own plans) (1)</td>
<td></td>
</tr>
<tr>
<td>Goodyear</td>
<td>- Low importance of strategic planning but structured, formalised process (0)</td>
<td>0</td>
</tr>
<tr>
<td>Company</td>
<td>Key Points</td>
<td>Score</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
</tbody>
</table>
| Knorr Bremse          | - Technology and R&D driven. Needs of R&D dominate planning process (0)  
- Structured, formal process; characteristics transferable (0)  
- Leader in relevant technology, driver of planning process (1) | 1     |
| NASPA                 | - Strategic planning components are important and necessarily sophisticated (1)  
- Until recently, only financial planning was considered necessary (0)  
- Company is driven by numbers and budgeting rather than strategic planning (0) | 1     |
| National City         | - With new introduction, strategic planning is meant to be the centre of company (1)  
- So far, company’s success was rather driven by numbers (0) | 1     |
| Newell Rubbermaid     | - Strategic planning process is standardised and imitable (0)  
- Unique characteristic lies in creation of new projects that deal with future development of companies. Feeds directly back into planning process (1) | 1     |
| Overall               |                                                                                                                                                                                                           | 0.78  |

Proposition 1b: Formal planning processes drive a firm’s competitive advantage.  
⇒ No support (very weak partial support)
6.4.2 Theory lens II: institutional theory

According to Zucker (1987), there are two institutional approaches. The first is the ‘environment as institution’ approach that focuses on convergent processes of reproduction. The locus of institutionalisation is placed outside the firm and dominated by state actors. In this context organisations are forced to adapt certain processes or standards due to institutional pressures. The second dimension is the ‘organisation as institution’ approach focusing on processes on the firm-level. The internal organisational structure is the source of institutionalisation; the organisation itself is a result of negotiation processes and groups of ideas.

The second approach, ‘organisation as institution’ is the one which gives explanatory power to strategic planning processes.

As discussed in Chapter 3, there are three pillars in institutional theory that make up or support institutions. The most straightforward pillar is the regulative element, which is also where most consensus among scholars exists. Scholars describe regulative processes as “the capacity to establish rules, inspect or review others’ conformity to them and as necessary, manipulate sanctions – rewards or punishments – in an attempt to influence future behaviour” (Scott 2001:35). While rules in this context can be formal or informal they employ force and fear as central mechanisms of control (North 1990). The normative pillar can be enforced by legal sanctions thereby giving the state a powerful position of role maker and rule enforcer. The normative pillar relates specifically to the external environment of a firm defining the institutional environment in its broadest sense (such as countries and states). The organisation is only a small part of this spectrum and no state regulation could infer a process such as strategic planning onto an organisation. Hence, the regulative pillar bears no relevance in the strategic planning context.

The following section shall discuss the normative pillar of institutions. The normative pillar includes both values and norms usually embedded in social actors. In the organisational context these values and norms are reflected by the organisation’s culture whereby people express and share their beliefs. Simultaneously, organisational culture embodies values and norms learned from organisational actors. “Values are conceptions of the preferred or the desirable together with the construction of standards to which existing structures of behaviour can be compared or assesses. Norms specify how things should be done; they should define legitimate means to pursue valued ends” (Scott 2001:37). Not all norms apply to all members of the organisation. Norms may be
specialised and therefore take on the form of roles. Strategic planning processes that are conducted by selected members from the planning department, corporate leaders and divisions embody exactly these kinds of roles. A certain performance is expected of these actors: For example, inputs from divisions, feedback from corporate or the putting together of the final plan from the planning department. According to Scott (2001), organisational values and norms confer rights as well as responsibilities. As described in section 6.3.2 strategic planning takes on the role of communicator, controller as well as coordinator during different stages of the planning cycle. The existence and justification of the strategic planning process and its roles can therefore be explained by the normative pillar of institutions.

The third pillar of institutions stresses the importance of cognitive elements. Organisational actions are seen as outcomes of symbols such as signs and beliefs that have been embodied by organisational actors. Meyer and Rowan (1977) state that meanings are attached to organisational processes and that myths are generated by organisational structure. Therefore, organisations are “driven to incorporate new practices and procedures defined by prevailing concepts of organisational work” (p.340). In other words, people comply with a certain procedure because it is a taken-for-granted routine and any other type of behaviour is inconceivable. This thought is echoed in our research findings: Newell Rubbermaid’s strategic planning process has been in place for many years and those involved in the process are fairly satisfied: “this is the way it’s been done forever. Why change something that’s working?”.19 A similar tone is observed at Eaton: “it’s a good process that encourages communication”.20

DiMaggio and Powell (1983) emphasise that organisations tend to be similar in their structures and processes, therefore dealing with uncertainty by imitating others. This is the most widely known aspect of the cognitive dimension. Organisations regard others in the field as superior or more successful, which leads to pressures to imitate certain aspects. This can be clearly linked to strategic planning processes. For example, the adaptation of deep dives as part of strategic planning was an idea that ABB borrowed from IBM. IBM is often regarded as having a very sophisticated planning process with innovative ideas such as deep dives. Indeed, Ruigrok, Pettigrew, et al. (1999) find that pressures for homogeneity force changes in organisational structures, which is in line

19 Mike Corriveau, Director Internal Audit, Newell Rubbermaid
20 Ruby Mack, CEO Automotive Group, Eaton
with DiMaggio and Powell’s (1983) idea that firms imitate those that they consider superior.

In the context of institutional pillars, strategic planning systems can be seen as a way of acquiring or enhancing legitimacy. The term legitimacy refers to the justification of an activity or actor. Organisations strive for recognition by having desirable and proper norms, processes and structures (Dacin, Oliver et al. 2007). “Strategic and economic activity is embedded in a context that motivates economic actors to seek legitimacy or approval for their actions” (p.171). This fact is evident in strategic planning processes. Before ABB designed its current strategic planning process it conducted a study of planning systems of its competitors. In particular, they focused on GE Medical Systems and filtered out ideas that they deemed appropriate in their own context. In addition, one of ABB’s higher ranked executives used to be an executive at Sulzer, an international machinery and equipment manufacturer. He transferred a number of planning techniques from his previous experience to ABB, which were readily accepted by members of ABB. Legitimacy is therefore the reason why isomorphic patterns occur across industries worldwide.

Findings from our research are somewhat mixed. In the first cluster – conglomerates: ABB, BASF, Eaton and Newell Rubbermaid – all firms possess well pronounced strategic planning systems. They have systems in place to develop and support new business ventures, a very straightforward, formalised planning cycle and an influential corporate strategy department. Therefore, the trend that organisations in the same field tend to display isomorphic patterns is confirmed by the first cluster. Evidence is more varied in the second field of this study: automotive supply (Bosch, Goodyear, Knorr Bremse). While Goodyear has done away with a corporate strategy department, Bosch and Knorr Bremse both stress the combination of strategic planning tasks. Here, the function of the planning process is twofold: One of corporate control, and on the other hand, one of support towards divisions. The structure of the planning process has a strong regional focus: At Knorr, with centres of competence, and at Bosch with regional strategy meetings supporting the overall planning structure.

The last cluster – regional banks: National City and NASPA – sets a rather contradictory tone. Both banks are subject to regional state regulations that result in a very control-driven strategic planning process. However, the recent adjustments at National City have changed this procedure to one of internal support and synergy creation.
### Table 8: Findings proposition 2a

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
</table>
| ABB     | - Current planning process was developed in 2000/2001 after careful evaluation of planning processes from competitors (1)  
- Study of GE Medical systems showed leadership in organisational field, ABB decided to strive for similar strategic planning process (1)  
- Copy of “Deep Dive” idea from IBM. Deep dives are seen as crucial value adding factor in strategic planning (1)                                                                 | 3                                      |
| BASF    | - Powerful corporate planning department due to highly integrated nature of firm – typical for companies in chemical sector (1)  
- Planning process is tailored to needs of BASF and led by the “Verbund” mentality – elements of standardised process exist but with distinctive features of BASF (1)  
- Corporate planners are respected and serve to legitimise planning processes; vis-à-vis management and shareholders (1)                                                                 | 3                                      |
| Bosch   | - Strategic planning process was developed out of informal process led by the CEO six years ago (1)  
- Current process is satisfying and exits because competitors have one and it is thought to work effectively in an increasingly uncertain environment (1)                                                                 | 2                                      |
| Eaton   | - Strategic planning process has common elements as compared to other companies                                                                                                                          | 2                                      |
from automotive supply sector – cyclical planning; link to budgeting (1)
- Planning process has common components (e.g., regular meetings, template based format) but is supplemented with company-specific elements (1)

<table>
<thead>
<tr>
<th>Company</th>
<th>Notes</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodyear</td>
<td>- No planning department (0)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>- Strategic planning is conducted on a need-basis; did not arise from legitimacy aspect (rather the opposite, planning department was abolished to set example) (1)</td>
<td></td>
</tr>
<tr>
<td>Knorr Bremse</td>
<td>- Regional focus of strategic planning process via CoCs (1)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>- Strategic planning developed from own needs but supplemented with transferred knowledge via consultants (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Benchmarking other competitors SPS (1)</td>
<td></td>
</tr>
<tr>
<td>NASPA</td>
<td>- Strategic planning process is just starting to supplement financial planning (1)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>- Is done because “everybody else is doing it and it is a strategic necessity”(^21) (1)</td>
<td></td>
</tr>
<tr>
<td>National City</td>
<td>- Strategic planning process is currently being reinvented – clear desire NOT to do the same as competitors but to differentiate oneself (0)</td>
<td>0</td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>- Strategic planning is seen as necessity and to be tailored exactly to company’s needs (1)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>- Planning process serves company strategy of acquisitions; elements of process similar to other conglomerates (1)</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>Ø 2</td>
</tr>
</tbody>
</table>

\(^21\) Dr. Michael Sohl, Strategic Planning, NASPA
At the beginnings of institutional theory approaches isomorphic patterns were often regarded as a source of organisational inertia – the ‘new iron cage’ (DiMaggio and Powell 1983). The fear that institutionalism can hinder change has been addressed in recent work and is called neo-institutionalism. The idea here is that homogeneity is initiated by collective rationality. Organisations alter their practices to maintain alignment with changing environmental needs (Kraatz and Zajac 1996). Introducing a new standard is the first step towards changing an institutional landscape. The innovating company that deviates from the norm has to do so for one major reason: resource scarcity. Let us recall the strategic inflection point Intel found itself at when it changed from a memory company to a micro-processing company (Chapter 2, section 2.2.4). Intel’s shift can be explained by changing technology and thus newly defined customer needs. Prestige matters greatly for the innovating company in order to achieve recognition and set the scene for late adaptors.

Changing customer demands and environmental conditions can also affect a company’s strategic planning process. This idea is illustrated by National City’s changed planning format: The company made a radical move from a control-driven, formalised planning procedure to a flexible, tailored-to-divisions process that results in continuous strategic planning. The change was triggered by the changing market conditions for regional banks in the US as well as a new person in charge at the company’s corporate strategy department. The new head of strategy brought with him years of McKinsey strategy consulting experience thereby legitimising his innovative reforms of the strategic planning process.

The logic of adapting new strategic planning elements is also evident in other companies of this study’s sample. ABB, for instance, adopted the deep dive component from IBM to deal with unforeseen circumstances and changing environmental conditions. The justification for this was that they “looked around for ways of dealing with suddenly
issues arising and found IBM’s deep dive idea the most appealing”. Similarly, Bosch acknowledged the unprecedented example of IBM’s deep dive concept, from which their own process of “dog and pony shows” is a long way off. The company is eager and currently working on new elements of its strategic planning process to integrate innovative ideas such as deep dives.

Overall, the evidence shows that new strategic planning elements are new ways that supplement old planning basics. The selection of these elements depends strongly on the reputation and credibility of the innovating company.

Table 9: Findings proposition 2b

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>- New planning process contains combination of influences: a) top manager is ex-Sulzer employee, respected company, transfers planning knowledge and elements into ABB process(1), b) pilot study of GE Medical – seen as close competitor (1) - Deep Dive idea copied from IBM – innovative leader of new management practices. Credibility of various companies led to introduction of strategic planning components (1)</td>
<td>3</td>
</tr>
<tr>
<td>BASF</td>
<td>- No evidence that BASF transferred strategic planning knowledge from other source (0) - “Verbund” idea and commission-selection of new business ventures could become standard in chemical industry due to BASF’s credibility and status as market leader (1)</td>
<td>1</td>
</tr>
</tbody>
</table>

---

22 Tobias Becker, Corporate Strategy, ABB
23 Theo von Bomoard, Corporate Planning, Bosch
<table>
<thead>
<tr>
<th>Company</th>
<th>Observations</th>
<th>Score</th>
</tr>
</thead>
</table>
| Bosch        | - Process was designed step-by-step and is subject to adjustments on an ongoing basis (1)  
               - Company considers to introduce concept of IBM’s Deep Dives (1) | 2     |
| Eaton        | - No explicit evidence that the company transferred planning practices from other credible market leaders (0) | 0     |
| Goodyear     | - Company considers itself market leader in tire manufacturing; stable market driven by technology (1)  
               - Might be considered an innovator itself due to abolishing planning department altogether but so far this practice has not yet been copied by one of its competitors (1) | 2     |
| Knorr Bremse | - Strategic planning process is an amalgam of internal knowledge (1), external consultants (1) and learning process (1) | 3     |
| NASPA        | - Company is only starting to develop separate strategic planning process – reason is that it considers this a necessity that other competitors have already successfully employed (1) | 1     |
| National City| - As a traditional, conservative company, National City has abolished its old planning process due to “newcomer” (new Head of Corporate Planning, ex-McKinsey consultant). Brings with him strategic expertise – knowledge transfer (1)  
               - Emphasis on developing new planning process that is tailored to company needs and that originates from within (1) | 2     |
<p>| Newell       | - Strategic planning process has been                                          | 0     |</p>
<table>
<thead>
<tr>
<th>Rubbermaid</th>
<th>developed by company itself (0)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No clear evidence as to if and how Newell has transferred knowledge from an innovating company (0)</td>
</tr>
<tr>
<td>Overall</td>
<td>∅ 1.78</td>
</tr>
</tbody>
</table>

Proposition 2b: The success and adoption of new strategic planning elements depends on the innovating company’s credibility.
⇒ Weak partial support

Professional experience and knowledge transfer can be drivers for organisational changes. One example has already been mentioned where a senior member of staff at ABB actually brought in concepts from a former employer that are now part of ABB’s planning process. In the institutional theory context an organisation needs to comprehend the choices and actions of other organisations in the field. Strategy consultants act as an intermediate level between organisations and their environment. A consultant is “an independent agent whose function is to supply expert information and knowledge to the focal organisation” (Conyon, Peck et al. 2007:8). They are an instrument by which certain practices become disseminated in an organisational field (Greenwood, Suddaby et al. 2002). Consultants constitute a particular professional field or association that can “legitimate change by hosting a process of discourse through which change is debated and endorsed” (p.59).

Most companies involved in this study admitted to having used strategy consultants to help with increasing the efficiency of their strategic planning process. Often, a budget is set aside for consulting fees since “divisions need help from time to time”.\textsuperscript{24} When Newell merged with Rubbermaid the company’s integration and adaptation of strategic planning process was accompanied by the consulting firm Booz Allen. Similarly, ABB hired Bain & Company when the company developed its current planning process some years ago. At National City there is evidence of an even stronger example of legitimacy and isomorphism through professional experience and transfer: The new head of

\textsuperscript{24} Mike Corriveau, Director Internal Audit, Newell Rubbermaid
corporate strategy is a former McKinsey consultant that brought with him an in-depth knowledge of strategy consulting experience. His advice and guidance became the key driver in changing National City’s planning process. The company’s new process combines flexible elements that turns it into a need-oriented, continuous process. The idea that strategic planning should be seen as a continuum rather than a cyclical activity is a current trend spread by management consultants.

The idea that isomorphism of strategic planning occurs due to the flow of organisational agents is evident at three levels: First of all, employees move between organisations and bring with them an array of experience. Second, knowledge can be bought in the form of external consultants. Even individual consultants move between consulting firms and industry. As Greenwood, Suddaby et al. (2002) note: “within a mature (institutional) field, the boundaries of occupational and professional communities will exhibit phases of isomorphic stability” (p.59). On a third note, companies exchange information amongst each other via colleagues – at a conference or even outside work for example. This is also a way of information flow that – while an informal one – can influence the knowledge transfer of strategic planning activities.

Overall, the evidence suggests that as a result of isomorphism, elements of strategic planning systems tend to look alike.

Table 10: Findings proposition 2c

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no</th>
<th>Scale 0 - 5</th>
</tr>
</thead>
</table>
| ABB     | - Company’s current planning process was designed by a team of internal employees and an external consulting firm (1)  
<pre><code>    | - Company employs external consultants on an ongoing basis to continually improve and evaluate SPS | 2            |
</code></pre>
<p>| BASF    | - No clear statement regarding use of external consultants. However, as a large multinational company information is formally and informally exchanged across all | 1            |</p>
<table>
<thead>
<tr>
<th>Company</th>
<th>Activities</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosch</td>
<td>Use of external consultants on a need-basis, i.e., when particular project demands external view</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Steps toward importing Deep Dive idea</td>
<td></td>
</tr>
<tr>
<td>Eaton</td>
<td>Divisions are confident that they are capable of strategic planning on their own</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Corporate centre has set strategic planning process and developed OCA from own resources</td>
<td></td>
</tr>
<tr>
<td>Goodyear</td>
<td>Decision on how to run strategic planning was and is made by top management. External consultants on a project level basis, if at all</td>
<td>1</td>
</tr>
<tr>
<td>Knorr Bremse</td>
<td>Strategic planning process is company specific, yet contains common elements with other companies</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Use of external consultants that have added important components to company’s planning process in the past</td>
<td></td>
</tr>
<tr>
<td>NASPA</td>
<td>Company sets aside fixed budget for acquiring external knowledge; often related to strategic and financial issues</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Strong likelihood their external resources will be considered in devising new planning process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Continuous information exchange between German regional banks (also due to state representatives on board) has resulted in similar planning process across industry</td>
<td></td>
</tr>
<tr>
<td>National City</td>
<td>New planning process was initiated by new head of strategic planning who is also an ex-McKinsey consultant (1)</td>
<td>2</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>Process is supposed to be combination of internal learning experiences and transferred knowledge (1)</td>
<td></td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>Evidence that external consultants are hired on a project/need basis (1)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Particular evidence of isomorphism when newly acquired firms need to be integrated into planning process (2)</td>
<td></td>
</tr>
</tbody>
</table>

| Overall | Ø 1.78 |

**Proposition 2c: Isomorphism causes strategic planning systems to look alike.**

⇒ Weak partial support

The companies researched in this study are located in Western Europe (Germany and Switzerland) and the USA. As discussed in Chapter 3 (section 3.3.5), company characteristics can be influenced by the national context they are located in. This could be due to political influences and other national differences (example: every publicly listed company in Germany is obliged to have an employee representative as a permanent member on its supervisory board). The aspect of cross-national differences lifts the discussion of the institutional perspective to the ‘environment as institution’ level. National differences can affect a variety of organisational aspects such as a company’s structure. Ruigrok, Pettigrew et al. (1999) report a general tendency in European firms to downsize with the exception of firms in the German-speaking region. Their findings on the German-speaking region are supported by evidence from this study’s cases: ABB, Bosch and BASF are among the largest diversified companies worldwide. In the context of cross-national comparisons, Ruigrok, Pettigrew, et. al. find that “companies face a certain degree of inertia and cannot re-invent their internal structures, processes and external boundaries all the time; restructuring and
organisational innovation appear as a combination of continuity and change” (p.60). Translating this idea into the strategic planning context could mean that companies retain one and the same planning process over time (continuity) while finding ways to deal with changes in the environment (change). Beyond this, institutional environments are distinguished by national differences, which means that “isomorphic processes drive corporate governance practices to become similar within countries and to differ across countries” (Aguilera and Jackson 2003:443). The authors find distinct national institutional configurations relating to firm-level corporate governance elements of capital, labour and management. The question is whether these differences can have influence down to the level of strategic planning systems.

Looking at the companies in this study, there are examples of each geographic region in the three clusters. Firstly, the example of ABB (Switzerland) and Newell Rubbermaid (US) shall be discussed. Both are diversified companies. Their organisational structures are roughly similar in that they have a corporate headquarter, a group level of functional activities (where corporate strategy is situated among finance, HR and others), and business divisions. Their generic planning frameworks run on a predefined cycle. There are review meetings, feedback sessions and divisional plans that get summed up into one corporate strategy plan. Both companies have a strategy department that coordinates the planning process by means of communication and control. If at all, the planning processes at ABB and Newell Rubbermaid are similar to one another.

The second category involves automotive suppliers. Again, let us examine one company from the US (Goodyear) and one from a German-speaking country (Knorr Bremse in Germany). The two companies’ planning processes are fundamentally different. Goodyear does not have a corporate strategy department, the planning process is run by the finance division and the importance of strategic planning is not pronounced. The opposite is true for Knorr Bremse. Here, planning is an activity that “brings together all divisions and the corporate centre in a meaningful way”.25 The planning department oversees the initiation and development of new business ideas, which the company regards as an important stepping stone for the future. This is contrary to Goodyear that recently sold its new product development division (EPD) and fosters a culture of going back to core competences.

25 Frank Merwerth, Strategic Planning, Knorr Bremse
The last cluster contains two regional banks located in either geographic location (National City and NASPA in the US and Germany respectively). Both regional banks have similar corporate governance structures: Regional state representatives act as non-executive directors. Both banks have the task imposed by the state that they are to provide citizens with the most basic banking services such as savings and current accounts. It is surprising to find that while some aspects of corporate governance are similar, the two banks have diverging strategic planning systems. German NASPA features a control-driven planning process that operates by setting performance targets. National City has introduced a more flexible culture that is reflected by the supporting role of the corporate strategy department.

A complementary aspect in this discussion is formed by the influence of culture on organisational processes. Having introduced Hofstede’s (1980) dimensions of national culture, it becomes clear that variety in case study findings and strategic planning systems can be enlightened by introducing the concept of culture. In terms of uncertainty avoidance (UA), companies based in Germany and Switzerland (ABB, BASF, Bosch, Knorr Bremse and NASPA) display certain characteristics that show their tendency to avoid ambiguity. They do so by carefully structuring their planning process and related decisions. Planning in these companies tends to be more of a leadership instrument – the planning department is well respected by other members of the organisation, and is seen as a crucial element in planning the companies’ future success.

The second cultural dimension, power distance (PD), explains that some organisations prefer and respect hierarchical structures rather than flat organisations. All German and Swiss companies in this study’s sample displayed a high degree of centralised planning system that is characterised by a strong top-down dynamic and acts primarily as a function of control.

The third dimension is individualism vs. collectivism (I vs. C). Here, the evidence from our case study companies is rather mixed. Both US and German/Swiss companies display a certain degree of individuality, which is reflected in initiatives taken by employees in the strategic planning process. An example constitutes the ability to initiate new business ventures. On the same token all companies place a certain degree of importance on formal planning components, which in fact is rather a collectivist characteristic.
In theory, masculine (M) values, such as strong goal orientation and standardised planning practices, is associated with all companies in the sample, but particularly with those located in the US. However, when it comes to the evidence of this sample, US companies, such as National City, Newell Rubbermaid and Goodyear display rather feminine (F) characteristics in their planning processes: they are rather consultative, less formal and standardised and thus counterintuitive to what would be expected.

The final dimension, short-term (ST) vs. long-term (LT) orientation leads to mixed findings. As expected, companies with a cross-holding or family ownership structure, such as Bosch and BASF reflect their tendency towards long-term thinking in the time horizons of their strategic plans. BASF and Bosch plan 10 years into the future. However, Knorr Bremse, a family owned international braking manufacturer, plans one plus four years into the future, just like other US companies in the sample (Eaton and Newell Rubbermaid). Similarly, National City displays an expected US characteristic of shorter term thinking with their maximum of three years of strategic planning. Short-term issues are seen as more pressing and important than vague long-term expectations.

Table 11: Findings proposition 2d

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
</table>
| ABB     | - UA high (structured planning process; planning as leadership instrument in turn around 2000) (1)  
- PD high (planning has coordinating and control function, respected department, setting tone) (1)  
- I medium. Individual initiatives limited – deep dives are group based (1/2)  
- M strong. Standardised, formal planning systems with clear goal setting (link to bonus payments) (1)  
- Medium term focus (neither LT nor ST) Plans are for 5 years (1/2) | 4 |
<p>| BASF    | - UA very high (set, structured planning | 5 |</p>
<table>
<thead>
<tr>
<th>Process; department is internal leader and glue that holds the company together) (Verbund) (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- PD high (very hierarchical company, planning department important and respected) (1)</td>
</tr>
<tr>
<td>- I low (Verbund thinking is collective, dominates all organisational processes) (1)</td>
</tr>
<tr>
<td>- M high (formalised planning process, with clear links to financial targets) (1)</td>
</tr>
<tr>
<td>- LT focus (10 year strategic plan supplemented by two year operational plan) (1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bosch</th>
</tr>
</thead>
<tbody>
<tr>
<td>- UA strong (planning process is structured, may be too rigid) (1)</td>
</tr>
<tr>
<td>- PD high (Hierarchies are well respected; confrontation avoided) (1)</td>
</tr>
<tr>
<td>- I medium (Neither individual initiatives are encouraged nor is there much collectivist activity in SPS) (0)</td>
</tr>
<tr>
<td>- M medium (Link to financial targets but otherwise not a clear centralised process) (0)</td>
</tr>
<tr>
<td>- LT orientation (3 year and 10 year strategic plan. Clear long-term orientation. Family ownership structure) (1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eaton</th>
</tr>
</thead>
<tbody>
<tr>
<td>- UA high (structured, formal SPS but planning has no real leadership function) (1)</td>
</tr>
<tr>
<td>- PD high (hierarchical company, confrontational issues in SPS avoided) (1)</td>
</tr>
<tr>
<td>- I medium (individual initiatives not much encouraged, neither is collectivist activity) (0)</td>
</tr>
</tbody>
</table>

<p>| Bosch | 3 |
|---------------------------------------------------------------|
| Eaton | 2 |</p>
<table>
<thead>
<tr>
<th>Company</th>
<th>UA</th>
<th>PD</th>
<th>I</th>
<th>ST</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| Goodyear | Low | Low | Not Clear | ST | - No planning department, no structured planning process (0)  
- Flat organisational structure (0)  
- Not clear (There is no clear planning process. All strategic initiatives tend to be a group issue) (0)  
- Medium (Company is traditional in its product; very focused; proud to be run as it is) (0)  
- ST orientation (planning is for 1 to 2 years only) (1) |
| Knorr Bremse | High | Medium | Medium | ST | - Formally structured planning department, leadership function (1)  
- Hierarchies are respected, but encouragement to speak up about confrontational issues is provided (1/2)  
- Medium (SPS is a mixture of top-down and bottom-up, egalitarian process) (1/2)  
- High (clear link to budgetary and bonus measures) (1)  
- Long-term planning (5 year strategic plan but market strategy 10 years) (1) |
| NASPA | Very High | High | Low | ST | - Planning is the only way to secure future success; respected process in company (1)  
- Hierarchical, structured process (1)  
- Individual initiative only recommended when it is for the common good (1/2) |
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National City</td>
<td>- Medium term orientation (5 year plan) (1/2)</td>
</tr>
<tr>
<td></td>
<td>- UA medium (Stopped old SPS 2 years ago and is currently devising new system. Corporate planners respected; initiating full turn around) (1/2)</td>
</tr>
<tr>
<td></td>
<td>- PD medium (Old hierarchical thinking still exists but new SPS tries to focus on variance in decision making) (1/2)</td>
</tr>
<tr>
<td></td>
<td>- I high (individual initiatives and strategic thinking encouraged) (1)</td>
</tr>
<tr>
<td></td>
<td>- M low (no intended link to budgetary process) (0)</td>
</tr>
<tr>
<td></td>
<td>- ST orientation (maximum of 3 year plans) (1)</td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>- UA medium (Company has formal planning system but has flexible ideas about managing future change processes) (1/2)</td>
</tr>
<tr>
<td></td>
<td>- PD medium (Hierarchy is in place – centralised planning system – but planning process is mixture of top down and bottom up) (1/2)</td>
</tr>
<tr>
<td></td>
<td>- I high (Individual initiatives find formal support by becoming separate projects) (1)</td>
</tr>
<tr>
<td></td>
<td>- M medium (Link to budgetary process but otherwise SPS more driven by strategic thinking) (1/2)</td>
</tr>
</tbody>
</table>

Overall: \( \bar{O} = 3.22 \)
6.4.3 Theory lens III: organisational routines approach

Organisational routines can look different depending on one’s point of view. They are a set of actions enabled by social and cognitive structures. In his comprehensive review of organisational routines, Becker (2004) establishes the core characteristics of an organisational routine. The following discussion of characteristics is conducted with the strategic planning process as a possible organisational routine in mind.

First of all routines are *patterns*, a term that captures the regularity of the concept. Most organisational patterns consist of behaviour, actions, activities and interactions. A second characteristic is *recurrence*. It would be impossible to call a single event a routine – it needs to happen several times in the same format to qualify as a routine. Routines are *collective* in nature. They can involve multiple actors and can be spread over time and location. However, they are continuously linked via the interaction of involved parties. There is divergence in the literature whether routines constitute mindless actions or *effortful accomplishments* (Pentland and Rueter 1994). Those referring to routines as mindless actions claim that individuals follow routines without paying any attention to them. In a way, they act like robots. On the other hand, evidence suggests that routines are effortful accomplishments in that they involve variation, introduction of new themes and attentive efforts from individuals. Most empirical studies in the field are proponents of the second position. In relation to strategic planning processes the concept of effortful accomplishments seems to apply since involved parties need to make a considerable effort to devise a sensible business plan that propels a company forward.

Another distinguishing feature of a routine is that it is *processual in nature* and *embedded in a specific context*. The specificity of contexts varies from historical
specificity when an event always happens at a certain point in time to local specificities that may arise due to cultural differences. It is important to note that there are limits to every routine. The implication is that when removed from their original contexts a routine becomes almost meaningless. A last noteworthy point is that routines tend to be path-dependent (David 1997), which highlights the importance of feedback. A routine needs to be traced over time and its development evaluated. Also, path dependence refers to the fact that the more individuals exercise a routine the more they take previous experience into account and incorporate their learning into the routine.

The strategic planning process at all companies of this study possesses the above characteristics: A yearly recurring pattern that is collective since it involves individuals from different functional areas of the organisation who are often spread among different locations. Its evidently processual nature involves efforts from a number of actors and is designed to fit into the specific company-context. For example, Newell Rubbermaid’s planning process is a yearly cycle that involves inputs from corporate, group and divisional representatives and is designed to fit the company’s diversified nature. The routine is located at the upper end of the organisational hierarchy since its main actor is the planning department. The latter is directly subordinated to corporate leadership and delegates planning actions vis-à-vis the business divisions. Strategic planning processes can thus be characterised as a form of high-level organisational routines.

The ostensive aspect of a routine can be seen as an abstract or a generalised pattern (Pentland and Feldman 2005). It can take the form of a narrative or script that emphasises the processual nature of routines. The ostensive aspect is context-dependent. One individual involved in the routine may view it differently than another; but they both work toward a similar outcome. The evidence from companies in this sample is very clear in this aspect: Strategic planning processes are in all cases a kind of narrative. The output of the strategic plan is either in a PPT format listing the most important points or a story-telling text document in other cases (see section 6.3.3 of this chapter). The planning guidelines issued by the corporate planning department act as a script that allows individual actors to achieve a common task. A divisional head may see himself/herself as contributing differently to the planning process than a person in the corporate strategy department. This fact makes strategic planning an ostensive routine. The components of the script (planning guidelines) are context-dependent for each company. At Knorr Bremse, for example, we know that the planning guidelines contain
information about market development, growth opportunities and strategic positioning. At NASPA on the other hand, the context is very much driven by performance targets.

The performative aspect of a routine relates to concrete aspects of a process where an individual carries out an activity at a certain point in time. Against the background of rules and expectations the performative aspect of routines possesses an element of improvisation. While the core process of the routine adheres to a certain sequence, the individual executing the routine has the power to introduce novel elements that may slightly alter the routine. The improvisation aspect should be seen as a necessary alteration that enables a response to contextual changes. In the context of the strategic planning process this nuance of alternation from the routine is not necessarily evident. All companies possess a formal element in their planning procedure that dictates certain deadlines and give content-related advice. By definition, the content of the plan changes every year, for example in response to changing market conditions. This is in essence the reason for having a strategic plan: Following a “roadmap” and trying to “stay on course” to ensure a smooth and efficient development in the future. Only a few companies in this study possess a mechanism to deal with unforeseen events and can incorporate these in the strategic plan. Positive examples are ABB with its deep dive methodology or NASPA, National City and Newell Rubbermaid through their regular (often monthly or quarterly) review meetings. The contrary is true for BASF and Knorr Bremse: Their markets are considered relatively stable which renders the response to a change in the external environment unlikely. However, even when companies have a mechanism in place to respond to contextual changes, the process is predetermined. A deep dive session, for example, follows a standard procedure and is only adaptable in the sense that it deals with different issues each time.

Exercising a routine also has the potential to introduce the role of agency. Putting this problem in the context of organisational planning, the corporate centre (as the principal) should aim for a formalised planning process that helps monitor the business division (the agents) thereby reducing the problem of moral hazard and opportunism. In the principal-agent dilemma the principal aims to reduce costs with the maximum amount of

26 Dr. Michael Sohl, Corporate Planning, NASPA
27 ibid.
control. Establishing a strategic planning routine will delegate responsibility of the planning process away from senior management to a designated planning department. All but one company in this study (Goodyear) feature a strategic planning department that is in charge of compiling the strategic plan through its business divisions. The routine of strategic planning therefore establishes coordination and control on various levels: The process impresses an image of regularity and unity onto involved individuals while simultaneously providing parties with the information and knowledge concerning the others’ activities. This idea is reflected in section 6.3.2 earlier in this chapter, which discusses the roles of strategic planning. Since planning is a standardised process it is easier to monitor than non-routine work.

As a standardised mechanism of coordination and control, the strategic planning routine conveys a certain amount of trust internally and externally to the firm. For one, evidence from our case studies showed that organisational actors consider a sophisticated, clear planning process as a kind of safety net for the company. After turbulent financial years at ABB during the last decade the newly designed planning process was able to “restore people’s confidence in the company”.28 The same argument holds for external stakeholders of the organisation. A formal strategic planning system suggests the seriousness of the company to plan ahead and could be a potential signal for capital providers.

The routine of the planning process should therefore be seen as mechanism to reduce risk and uncertainty.

28 Tobias Becker, Corporate Strategy, ABB
<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
</table>
| ABB     | - SPS introduced after turbulent years was key tool to restore confidence in the company (from employees and shareholders alike) (1)  
- SPS as controlling function vis-à-vis divisions (1); but equally as much a facilitator and guide (1)  
- Link to budget plan and performance targets (1) | 4 |
| BASF    | - Strategic planning is central to company structure. Coordinates diversified divisions (1)  
- Mechanism for control, also in terms of new products (innovative R&D department reports to corporate planning department). Signals confidence in strategic planning (1)  
- Strong link with divisional boni (1)  
- Link with budgeting (1) | 4 |
| Bosch   | - Planning is seen as mechanism for control but low acceptance ("dog-and-pony show"). Not really a tool to reduce uncertainty (0)  
- But: strong control function – divisions have to justify strategic initiatives (1) | 1 |
| Eaton   | - Strategic planning department coordinates strategic direction of company; signals confidence (1)  
- Signals to outsiders that standard planning process acts as efficient communication device that allows divisions to know among themselves what the others are doing (1) | 3 |
<table>
<thead>
<tr>
<th>Company</th>
<th>Characteristics</th>
<th>Score</th>
</tr>
</thead>
</table>
| Goodyear         | - Strong component of uncertainty avoidance due to nature of business units and their competitive environment (1)  
- No planning department (0)  
- Signals risk and uncertainty rather than secure planning mechanism (0)                                                                                       | 0     |
| Knorr Bremse     | - Clear statement that aim of strategic planning is to have a ‘common map’ for all divisions (CoCs) (1)  
- Motor for innovations and common goals (market leader), signals confidence, avoids uncertainty (1)  
- Link to budgeting plan is control mechanism (1)                                                                                                           | 3     |
| NASPA            | - Strategic planning aspect has been developed through years of sophisticated financial planning (1)  
- Strong coordination and control aspect (1)  
- State representation aspect calls for clear goal setting; planning helps complete information flow (1)  
- Uncertainty avoidance: important theme in strategic plan. Plan is signal to state representatives that company plans ‘healthily’ into the future (1) | 4     |
| National City    | - Leader figure = new head of strategic planning (1)  
- Signals confidence in times of increased uncertainty due to lack of strategic planning process (1)  
- Core idea of planning process is to have a mechanism for co-ordinating divisions (1)                                                                   | 3     |
<p>| Newell           | - Planning is designed to fulfil company                                                                                                                                                                                                                                                                                                              | 4     |</p>
<table>
<thead>
<tr>
<th>Rubbermaid</th>
<th>strategy: co-ordination aspect (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Successful acquisitions in the past yield confidence in strategic planning process (1)</td>
</tr>
<tr>
<td></td>
<td>- Strategic planning is seen as confidence signal towards investors (1)</td>
</tr>
<tr>
<td></td>
<td>- Link with budgeting process (1)</td>
</tr>
</tbody>
</table>

Overall ∅ 2.9

Proposition 3a: Strategic planning systems are a means of coordination and control that reduce uncertainty.

⇒ Partial support

While organisational routines have often been criticised as static objects, they are actually a source of flexibility and change (Feldman and Pentland 2003). There are two aspects to be considered: Exogenous changes to which routines adapt to endogenous change as a result of engaging in the routine. Exogenous changes relate to changes in the external environment of the firm. Early organisational routine work focused on this aspect of change – routines were treated as fixed entities and changes were driven by market transformation and new technologies (Orlikowski 1992; Feldman 2000). Under this aspect individuals react to changes by combining elements of past knowledge with actions from other sources to deal with the change. In the second context – endogenous change – the change mechanism is internal to the firm. Applying a model of variation and selective retention (Campbell 1965) is useful when trying to understand a change within routines. People may vary certain aspects of the routine, create new elements or modify old ones. Depending on selection criteria variation and retention can lead to functional adaptations of the routine. Feldman (2000) proposes a performative model of a routine where routines are depicted as a flow of action that include a broad range of people’s feelings and thoughts as they engage in the routine. People reflect on the routine, which can lead to a change in the performative circle. This alteration could expand or repair the routine. It might be quite intuitive to think that strategic planning as a routine could be affected by the two mechanisms of change just described. However, evidence from this study does not point in either direction. ABB poses the only
exception. The company experienced financial turmoil at the beginning of this century, which led to a complete transformation of the organisation. Simultaneously, a new strategic planning process was introduced and the company saw this step as an opportunity to restore confidence – on behalf of employees and shareholders alike. The second – endogenous – level of change is driven by the routine itself. Individuals participating in the routine might become dissatisfied with certain aspects and therefore change their actions to adjust the routine. One piece of evidence in this respect comes from National City where the new head of corporate strategy found the old planning process to be a “waste of time”\textsuperscript{29} and decided to change it.

Table 13: Findings proposition 3b\textsuperscript{30}

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>Exogenous change: company was forced to introduce new strategic planning system after problems in 2000/2001 (2.5)</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Endogenous change: no evidence (0)</td>
<td></td>
</tr>
<tr>
<td>BASF</td>
<td>Exogenous change: no evidence (0)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Endogenous change: small scale changes to adapt to dynamic “Verbund” when needed (1)</td>
<td></td>
</tr>
<tr>
<td>Bosch</td>
<td>Exogenous change: increasing environmental uncertainty led company to introduce strategic planning system less than 10 years ago (2.5)</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td>Endogenous change: company is now on the verge of introducing changes (1)</td>
<td></td>
</tr>
<tr>
<td>Eaton</td>
<td>Exogenous change: no evidence (0)</td>
<td>0</td>
</tr>
</tbody>
</table>

\textsuperscript{29} Clark Khayat, Corporate Planning, National City

\textsuperscript{30} While the grading scale remains the same (0-5), the rating scale differs in this instance. Since there are only 2 relevant criteria, the points given out are not 1 at a time, but a maximum of 2.5 per issue raised (i.e. up to 2.5 for endogenous change and up to 2.5 for exogenous change)
<table>
<thead>
<tr>
<th>Company</th>
<th>Exogenous change: no evidence (0)</th>
<th>Endogenous change: no evidence (0)</th>
<th>Endogenous change: recently abolished strategic planning department. Considered planning function as abundant (2.5)</th>
<th>2.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodyear</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knorr Bremse</td>
<td>-</td>
<td>-</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>NASPA</td>
<td>-</td>
<td>-</td>
<td>Endogenous change: management saw need to add strategic planning component to financial planning aspect (2.5)</td>
<td>2.5</td>
</tr>
<tr>
<td>National City</td>
<td>-</td>
<td>-</td>
<td>Endogenous change: dissatisfaction expressed by new head of corporate planning, hence, introduction of new process (2.5)</td>
<td>2.5</td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>-</td>
<td>-</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td></td>
<td></td>
<td>∅ 1.5</td>
</tr>
</tbody>
</table>

Proposition 3b: Changes in strategic planning processes are driven by organisational actors’ reflections and dissatisfaction with the existing routine.

⇒ Weak partial support

The strategic planning process constitutes an administrative process designed to help organisational members in the strategic decision making process.
In any specific instance any decisional outcome will be affected by the nature of the problem, the organisational context, the personality characteristic of the decision-makers, and the cognitive limitations of human beings. These include the determination of thought processes by position in social space, identification with groups, and the projection of one’s own values and attitudes (Katz and Kahn 1966). In the context of
strategic planning, this concept applies at various levels. For one, individuals are bounded rational people that make decisions in a specific context. Due to their cognitive limitations they search administrative processes in organisations that they can identify with. The strategic planning procedure is an important process that signals stability and the ability to plan for the company’s future security. For some employees this signal of security also yields an authoritarian role: strategic planning is most commonly situated at the apex of organisations. Top management sets organisational goals, which in turn are transformed into milestones and expectations on a divisional level via the strategic planning department and the planning process.

From a different angle, individuals need to make decisions in strategic planning in light of incomplete information. Detailed research and economic projections help to set the goals of the strategic planning process but this information needs to be processed and transformed into realistic planning scenarios by the strategic planning process. Again, the authority of the planning process tries to imply loyalty and security in the decision-making of strategic planners.

Evidence from our cases suggests a number of findings: at BASF, for example, the corporate planning department commands a high level of authority towards the organisations divisions. For one, it decides whether new divisional projects and ideas will be pursued via its commission meetings. Also, the department employs a number of people whose only task is to forecast the environments considered strategically relevant by the company.

Similarly, the strategic planning process at National City is being reshaped by an individual that commands respect and authority – the new head of corporate planning. The successful adaptation of a new planning process will depend – amongst other factors – on how credible this individual is and how his ideas will be received by employees.

A contrary finding is posed by Goodyear. The company has no strategic planning department, and hence, no authority figure in the strategic planning process. It seems that the company’s strategic direction has been set by top management and that is suffices to delegate strategic planning activities to the divisional level. This process shifts the loyalty aspect to the divisional and functional level, but might also result in higher asymmetric information, and thus bounded rationality when it comes to making strategic decisions.
## Table 14: Findings proposition 3c

<table>
<thead>
<tr>
<th>Company</th>
<th>Findings</th>
<th>Proposition support yes/no Scale 0 - 5</th>
</tr>
</thead>
</table>
| ABB     | - Strategic planning is high-level administrative process (1)  
- Planning department yields authority, sets tone in planning process (1)  
- Detailed forecasting as basis for decision making (1)  
- Yet planning is a shared process that is an outcome of authoritative decision makers: top management, planners and divisional leaders (1)                                                                                                                                                                                                                                                                                                                                                                           | 4                                     |
| BASF    | - Planning department is well respected, if not feared. Major power in decision making (e.g., which innovations to pursue, setting bonus plans) (1)  
- Separate sub-department for forecasting (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2                                     |
| Bosch   | - Planning department arose from need but real strategic authority lies with executive management and board (1)  
- Recognises inability of strategic planning process to act as guidance ⇒ dog-and-pony-shows that due to little respect could result in negative cognitive processes and thus different planning decisions (0)                                                                                                                                                                                                                                                                                                                                                     | 1                                     |
| Eaton   | - Strategic planning department is seen as a necessity but divisions are very autonomous in their strategic planning process. Authority is evident but split (1)  
- Guidelines from strategic planning                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2                                     |
<table>
<thead>
<tr>
<th>Company</th>
<th>Key points</th>
<th>Score</th>
</tr>
</thead>
</table>
| Goodyear          | - No planning department, no clear evidence of where centre of strategic decisions is located (0)  
                    - Company rather R&D driven, strategic planning rather a by-product (0) | 0     |
| Knorr Bremse      | - Strategic planning is an outcome of discussions between senior management, strategic planners and experts from divisions (each authoritative decision makers in their own right) (1)  
                    - Economic forecasting done by planning department - signal of importance (1) | 2     |
| NASPA             | - Senior management and state officials set goals for company (1)  
                    - For years employees from all organisational levels have considered strategic planning as inferior in value to financial planning (1)  
                    - Dominant CEO made decision to introduce strategic planning and also holds authority to dictate how it should be conducted (1)  
                    - Divisions have to adhere guidelines; more top-down than bottom-up processes (1) | 4     |
| National City     | - Authority visible when new head of planning abolished former planning process (1)  
                    - Now, planning process is an amalgam of decisions from various levels: divisions, senior management, functions and planners – but all command a certain level of authority (1)  
                    - Aim of new structure is to be as transparent as possible to avoid asymmetric information (0) | 2     |
| Newell Rubbermaid | - Strategic planning rather consensus driven (0)  
- Economic forecasting to reduce uncertainty (0)  
- Authority only noticeable with projects that concerns possible acquisitions (1) | 1 |

Overall | ∅ 2 |

Proposition 3c: Strategic planning processes are a mechanism for authoritarian decision making in organisations.

⇒ Weak partial support
Table 15: Overview of propositions and findings

<table>
<thead>
<tr>
<th>Theory lens I: RBV and dynamic capabilities</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1a: Formal planning processes can be seen as a dynamic capability in turbulent environments.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 1b: Formal planning processes drive a firm’s competitive advantage.</td>
<td><em>OCCURRING</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theory lens II: institutional theory</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 2a: Legitimacy causes strategic planning processes to display homogeneity across companies.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 2b: The success and adoption of new strategic planning elements depends on the innovating company’s credibility.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 2c: Isomorphism causes strategic planning systems to look alike.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 2d: Strategic planning systems are subject to cultural differences. Companies based in Anglo-American societies will exhibit flexible, non-formalised strategic planning systems and short term strategic plans. Companies based in Germany and/or Switzerland will tend to have a more formalised and structured planning process resulting in long-term strategic plans.</td>
<td><em>OCCURRING</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Theory lens III: organisational routines approach</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 3b: Strategic planning systems are a means of coordination and control that reduce uncertainty.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 3c: Changes in strategic planning processes are driven by organisational actors’ reflections and dissatisfaction with the existing routine.</td>
<td><em>OCCURRING</em></td>
</tr>
<tr>
<td>Proposition 3d: Strategic planning processes are a mechanism for authoritarian decision-making in organisations.</td>
<td><em>OCCURRING</em></td>
</tr>
</tbody>
</table>
= partial support

= weak partial support

= no support

Source: Author
7 Conclusions and implications

This final chapter is designed to critically reflect on the research conducted. Therefore, it will start by reviewing the research questions and research process carried out before turning to summarise the key findings. The next aim is to establish the different contributions of this study, both in terms of theoretical and practical relevance. Consecutively, the limitations of this research are discussed, and areas for future research identified.

7.1 Discussion of research and its findings

The aim of this research was to enrich the knowledge of strategic planning processes. As Grant (2003) noted, there is an abundant amount of strategic planning literature but in reality we still know very little about what happens behind closed doors.

Contributions from this study are twofold: Firstly, it develops an innovative theoretical perspective to strategic planning by using theory lenses that have rarely or never been applied to the topic before. The aim of this exercise was to create new ways to think about the existence and role of strategic planning as a core organisational process. The second contribution was on an empirical level: This study extended the focus study conducted by Grant (2003) on oil majors geographically by looking at organisations from Germany, Switzerland and the US as well as expanding it beyond one industry sector.

This thesis’ overarching aim was to find out how firms co-ordinate their strategic planning practices. Organisations plan strategically and this study uncovered exactly how firms go about their strategic planning processes. It looked for the emergence of common features and characteristics in planning activities, which helped identify key roles of strategic planning processes. Simultaneously, this research was able to identify common themes in strategic planning such as the development of new business ventures as part of the planning process.

The study started by outlining the historical context of the topic of strategic planning. The strategic planning field can be seen as a kind of subdivision of corporate strategy literature. It is a field of research in its own right that has received undivided attention.
from scholars for nearly three decades. While opinions and findings are mixed, strategic planning remains one of the most widely discussed topics in strategic management. Chapter 2 showed the historical context of the topic, explained how early writers started to think and theorise about strategic planning, and discussed how theoretical and empirical contributions developed from there on. It set the scene for the following discussion in Chapter 3 where new theory lenses were evaluated and chosen to be applied to the strategic planning context. Using new ways to look at – what some might call – an old topic enabled the author to derive a number of interesting theory propositions that were consecutively tested by the empirical study. For this purpose, 9 companies were chosen and in-depth interviews conducted. The case studies can be grouped by industries and/or geographical location; conglomerates: ABB (CH), BASF (DE), Eaton (US), Newell Rubbermaid (US), automotive suppliers: Bosch (DE), Goodyear (US), Knorr Bremse (DE) and regional banks: National City (US) and NASPA (DE). All case studies yielded interesting findings. The presentation of results started in Chapter 5, which describes each company’s strategic planning process in detail. The analysis of findings allowed the author to devise a generic planning framework and timing schedule as well as illustrate the link of strategic planning systems with other functional areas. The next important contribution of this work was to identify a number of themes by cross-case comparison. First of all, the development of new business ventures emerged as a central theme from the findings. Most companies acknowledged the importance of supporting and advancing creativity and business development, and devised mechanisms within the planning process to deal with this issue. In a next step, the roles of strategic planning were identified. Evidence showed that the strategic planning process takes on three vital roles: communicator, coordinator and controller/enforcer. A detailed discussion showed how these roles are executed in each firm. The third relevant theme that emerged was the format of strategic plans. Intuitively one may think of this as a straightforward issue but it is one that corporate planners pay a lot of attention to. The evidence suggested that companies feel that the quality of the strategic plan rises and falls with the appropriate format. The last step in the analysis of findings was to bridge the gap to the theoretical propositions developed in Chapter 3. The case study evidence showed partial support for two out of a total of nine propositions; six found weak partial support, and three received no support.
The weak support found in most propositions can be explained by a number of reasons. Firstly, the grading scale proved to be suboptimal in capturing the subtlety and details of the case study findings. While in some instances one company was found to fully support a proposition, another company scored close to 0. Summarising the overall scores resulted in the loss of fine-grained detail of new knowledge about strategic planning that was found in the case studies. Secondly, the weak findings have implications for the theoretical approach employed. Due to the lack of a sound theoretical base in the area of strategic planning, the author employed an eclectic approach of three theory lenses. These theory lenses were selected for their sound background and explanatory value. However, in combination they proved rather weak explanatory power as shown by the case study results.

7.2 Theoretical implications

Having linked the empirical findings back to the propositions, theoretical implications remain to be identified. This section will explore the usefulness of the three theory lenses employed and show the effectiveness of new theoretical perspectives applied to the topic of strategic planning processes.

Let us first turn to the use of the resource-based and dynamic capabilities view as a theoretical lens on strategic planning. The RBV logic has been applied to five core fields of strategic management studies (Barney, Wright et al. 2001): human resource management, economics and finance, entrepreneurship, marketing and international business. In the context of strategic planning it has been less prominent. In her meta-analytic review of strategic planning and organisational performance, Shea-VanFossen, Rothstein et al. (2006) elude to the fact that strategic planning might be classified as a resource. However, none of the earlier publications in the field look at planning processes from a RBV angle. While the review of RBV in the context of this study is admittedly a touch eclectic, it focuses on the main features that can be attributed to strategic planning. Evidence suggests that it can only just be defined as a resource but one that is imitable. The analysis further showed that the strategic planning process could be characterised as a dynamic capability albeit not necessarily an efficient one. There are too many intervening variables between strategic planning and organisational
performance for someone to conclude that it can be a source of competitive advantage. While this was not the focus of this study, it confirms that the use of RBV logic is not necessarily the most useful one in the strategic planning context. In a final step, this work shifted the RBV angle to look at strategic planning processes not as a resource or capability in itself but rather how planning processes have supported and appraised resources and capabilities to achieve competitive advantage. The strategic planning process can be seen as a mechanism to distribute and develop resources to become key success factors for an organisation. However, while the cross-functional importance in the strategic planning context was shown to be relevant, it did little to support the view that planning appraises resources and firm capabilities which in turn could lead to competitive advantage.

In a second step, the institutional theory approach was applied to strategic planning processes. Institutional theory actually proved to be a powerful tool to provide an explanation for the existence of formal planning systems. The normative pillar of institutions was shown to confer roles and according responsibilities through organisational norms. The interpretation for strategic planning systems was that it provided a justification for the different roles of the planning process – communicator, controller and coordinator. The cognitive dimension of the institutional approach explained how meanings are attached to regular procedures. Organisational actors comply with certain rules and procedures because they feel the need to adapt to organisational settings. A planning process constitutes a regular pattern that places trust in individuals, enables divisions as well as corporate leaders to be equally informed, and therefore allow a company to develop a certain community spirit of bringing a company forward.

The evidence further showed that companies display isomorphic patterns due to legitimacy reasons. They copy standards and process elements of other companies’ planning processes that they consider to be superior. Another form of isomorphic change is through the flow of occupational knowledge. This can be seen in the form of employees transferring knowledge from previous experience or by the use of consulting services. In the latter case, companies purchase expert knowledge about strategic planning processes thereby validating their own procedures.
Interestingly, the findings suggested that differences between planning activities cannot be explained by regional distinctions. Variations in planning systems are due to context specific reasons such as stable market conditions. If and where convergence occurs it will do so in the context of an organisational field. Regional differences – as they occur in corporate governance systems, for example – are not evident in the strategic planning context.

Institutional theory proves to be a powerful mechanism to explain homogenous features of planning systems. In addition, it lends explanatory power to organisational change and innovation. In times of technological change, for instance, early innovators have the chance to become market leaders by building up credibility. If other companies in the field trust the innovating company, they adopt the new standard for legitimacy reasons. Case study evidence suggested that elements of strategic planning processes are copied between companies for legitimacy reasons.

There are, nevertheless, limits to the use of the institutional theory approach in the strategic planning context. While it explained homogenous features and the reasons for introducing new elements to the planning process, it yields little explanatory power concerning differences evident between companies. The cases researched in this study display varying degrees of planning formality, which might arise out of context dependency. Unfortunately, the application of the institutional theory lens did not shed light on this matter.

The third theory lens applied was the *organisational routines approach*. The concept of organisational routines is becoming an increasingly popular organisational science (Pentland and Feldman 2005), and this study attempts to apply the routines approach in the strategic planning context. This poses a new method of explaining the underlying subtleties of the strategic planning process. However, this study’s attempt to link organisational routines to the concept of strategic planning should be seen as a beginning and has potential to be further explored.

The organisational routines approach lends explanatory power to strategic planning as a process. It shows that routines often constitute an amalgam of smaller routines, which is perfectly applicable in all companies’ strategic planning processes. Planning is a combined effort: the planning department employs a process whereby it defines the planning guidelines, which is in itself a small routine. A second step is to pass these
guidelines on to the divisions. There, another small routine takes place, namely the process by which divisions compile their business plans according to corporate guidelines. Routines send internal signals through an organisation. Since planning is regarded as a high-level routine, it is seen as a vital backbone to organisational operations. However, only selected people are allowed to participate in the process, which is often internally regarded as a privilege. On a different level, routines can be seen as a signalling mechanism to remedy the agency problem. The strategic planning process is a way for corporate leadership to pass a very important responsibility on to its employees. It simultaneously places trust in people at the divisional level while they in turn feel obliged to spend time and effort creating a suitable business plan. Corporate management therefore has a way of controlling the outputs of the divisions. The strategic planning process therefore works as a structured pattern that can be employed as a mechanism to reduce uncertainty and exercise control. The routines approach also offers a way to explain internally initiated changes to the routine. It proposes that actors involved in the planning process critically reflect on their actions. This critical reflection process can be reconstructed by a performative cycle: ideals, plans, actions and outcomes. Actors internalise certain organisational values and beliefs. They are influenced by their values when they engage in the planning process. This logic works at the corporate as well as divisional level. Corporate strategists devise guidelines for the strategic plan which in turn need to be adhered to by divisions. The strategic plan poses a form of action guideline to all actors as it contains measurable goals and performance assessments. If goals are not met it might lead to a change in norms and beliefs, which in turn could potentially initiate a change in the planning process. Unfortunately, evidence in this respect was weak showing only one case in which a change to the planning routine was initiated by an internal actor’s reflections.

A common theme that links all theoretical perspectives and that yielded an important insight is related to the role strategic planning should play in an organisation. The evidence showed that the long-running debate over rational, formal strategic plan versus flexible learning systems through emergence is misguided – the reality of organisational strategic planning bears little resemblance with traditional planning literature. The findings from these case studies have little in common with hierarchical decision-making and the overbearing corporate strategy departments as criticised by Henry
Mintzberg. Instead, we found creative bottom-up processes in which the corporate centre provides co-ordination and support but real inputs come from the divisions themselves. Consistent with strategic decision making literature the cases also showed that the role of strategic planning is not strategy formation. Rather they are mechanisms for improving the quality of strategic decision-making. The reality of strategic planning today seems to reconcile formal and flexible issues in a process that can be described as ‘planned emergence’. The primary direction is bottom-up, fostering creative thinking and inputs but at the same time with clear boundaries and quality control elements. The ‘planned emergence’ approach can be best described as a synthesis between formal, hierarchical planning elements and innovative, creative insights from various levels of the organisational hierarchy.

7.3 Implications for management

Due to the author’s interest in applicable management solutions, this research was devised in the spirit of a practice-oriented approach. Strategic planning processes affect people at all levels of the organisation and daily work-life: corporate leadership who sees planning as a resource to achieve company goals, the planning department who is in charge of the planning process as well as divisions whose input is needed to put together a comprehensive strategic plan.

There are lessons and challenges to be learned from this work. The aim of this research was to find out more about the reality of strategic planning in organisations. This enabled the deduction of a generic planning framework and the identification of the inherent complexity of roles of strategic planning processes. Therefore, while the findings should not necessarily be seen as an attempt to design an optimal planning system, the results of this study can be perceived as a guideline to what really matters in the strategic planning process. While a certain degree of formalisation of strategic planning is desirable, the issue of supporting and creating new business ventures via the strategic planning process should also be provided for. Findings from this study implied that there is a limit to how far businesses can plan ahead into the future. What companies might want to think about is a clearer separation of short-term and long-term
planning goals, while always taking into consideration ad hoc events that affect the planning cycle.

Moreover, this study implicates the format and content of a strategic plan. Companies need to find the right balance between useful quantitative and qualitative information in their strategic plans. Most companies feel that the majority of strategic planning content and format should be qualitative.

The author often received positive feedback from corporate planners during the interview process. Planners seemed keen on being the subjects of this research stating that normally researchers tend to focus on corporate leadership in a strategy-related context, rather than looking at the planning department and its staff. Indeed, the author received many reactions that showed an interest of how strategic planning might be conducted at other companies. Practitioners were always willing to share information and often asked for the researchers’ opinions regarding particular elements of the planning process.

Most importantly, this study raises the question of the roles of strategic planning. It finds that corporate leaders and divisions have different expectations regarding the value of the strategic planning process. The planning department, therefore, needs to carefully manage its roles of communicator, controller and coordinator vis-à-vis senior management and business divisions.

Underlying the multiple roles of strategic planning are two opposing concepts if not to say demands: for one it is expected to generate creativity. All individuals involved in the planning process are encouraged to think strategically in the planning process. New ideas and business ventures are vital to bring a company forward. Strategic initiatives and other ways to deal with future uncertainty are part of the strategic plan. On the other hand, the planning process is a mechanism of control and coordination — often through its direct link with financial data and the budgeting process. While the concepts of control and creativity are opposed to each other and require a very different skill set, the evidence from this study shows that they are united into one holistic strategic planning process. It almost feels like the strategic planning process has become a garbage can for any kind of plan that concerns the company’s future regardless of whether it is really strategic or not. Therefore, a very important managerial implication of this study is that
the strategic planning process should really be strategic. While the budgeting process is also an important planning element for the company and its future, it should be separate from those issues that are purely strategic such as the introduction of new products, responding to external economic developments or change in the organisational structure. The budgeting process can run on a predefined calendar-driven cycle while strategic planning should be done separately and continuously regardless of a calendar year.

This idea is closely linked with the approach of ‘planned emergence’ as discussed in this chapter’s previous section. Since the findings of this study point to strategic planning’s dual role of creative thinking and control-coordination aspects, companies have evolved their planning practices to contain both elements. In other words, the evidence showed that companies support bottom-up processes where inputs largely come from business units and operating divisions while corporate management acts as a co-ordinator and supporter. Unfortunately, findings also showed that planners are not always satisfied with the duality and balance of the opposing roles of planning. While ABB’s 2-year performance-driven planning cycle and integrated Deep Dive elements was reported to be a “balanced solution”\(^3\), companies such as Bosch expressed their dissatisfaction with the dominance of authority and control in their strategic planning process. The concept of ‘planned emergence’ should be seen as a valuable lesson for companies: business divisions should be given a certain degree of flexibility and planning freedom thereby obtaining substantial autonomy in their creative input. At the same time, this process should be overseen and guided by corporate management through certain constraints in the form of expectations and guidelines. In bringing together these two threads, companies can succeed in successful and meaningful strategic planning processes.

Another finding that holds practical implications is that strategic planning seemingly does not provide much use for a company’s divisions. While divisions are a crucial element in collecting necessary information they are seldom asked about true strategic initiatives. While this might be a daunting result, the strategic planning process should still be considered a useful tool for divisions. For one, it keeps them in the strategic feedback loop. Also, while it may not be an ideal solution, the planning process gives

\[^3\] Tobias Becker, Corporate Planning, ABB
divisional employees a chance to think strategically about their organisational involvement and the development of the company. It conveys a feeling of involvement and respect that should not be underestimated.

7.4 Critical reflections, limitations and further research

In the light of this study’s findings the appropriateness of the research approach still remains to be discussed. One contribution of this study was to apply theoretical approaches to the topic of strategic planning processes that had either never been used before or had possibly been applied in a different context of planning. The use of three theory lenses widened the contextual reasoning and understanding of strategic planning. The methodology employed was purely qualitative in nature. The use of key informants in the data collection process may have led to a certain amount of opinionated data. Due to the exploratory nature of this study, in-depth interviews with strategic planning leaders proved to be the only comprehensive way to extract as much information from companies as possible. Future research could expand this knowledge by interviewing organisational members from different hierarchical levels. The current study collected information from a source that stands between divisions and corporate leadership (namely the corporate planning department). One might argue that this causes results to be biased. Nevertheless, the people interviewed in the strategic planning context – managers and departmental heads with similar positions – were consistent across cases, which should decrease the possibility of biased findings. Interviews with top executives and divisional representatives could potentially add a new perspective on the process of strategic planning.

If future researchers were to take up the strategic planning thread developed in this study by quantitative methods they would be faced with the problem of fully capturing the complexity and subtleness of the issues. This applies specifically to the context of the roles of strategic planning. The interactions between the planning department, corporate leadership and business divisions are multifaceted. Quantitative researchers must be careful in designing appropriate questions that capture the subtlety of the issue.
It is not surprising that some interview partners revealed more information and detail than others. The author offered and – when requested by the company – signed confidentiality statements. However, some confidentiality concerns existed due to a company specific organisational culture for example, or due to established rules of not passing on internal information to outsiders. Confidentiality concerns related mostly to specific contents of the strategic plan, which are often linked to projected performance targets. At ABB and BASF, for example, interview partners seemed very eager to share information. Others were not shy to show excerpts from the actual strategic plan of the company, thereby revealing concrete aspects as to the content of these plans. However, a number of companies drew a clear boundary whenever the questions regarding the process of planning touched on content-related issues.

The use of open-ended questions and rephrasing certain points attempted to deal with this issue. In addition, all researchers reassured the companies that their interest was solely in the actual process components of the strategic planning system and not in concrete details regarding the content of business plans.

This study could be expanded empirically in two ways: Firstly, the number of cases in the sample could be increased, thereby improving the generalisability of findings. Secondly, the topic could be extended by expanding on the themes that emerged through the analysis of findings. For example, the issue of dealing with unforeseen events that affect the strategic planning process could be studied via critical incident approaches. This might reveal additional detail as to how firms deal with changes in the environment.

Clearly, there are research questions that this study did not pose. Although the term ‘strategic planning process’ implies a relation to corporate strategy, this study did not investigate where strategy actually originates from. Future research could tackle this question and explore if and how the strategic planning process supports strategic decision-making.

In addition, it might be interesting to find out more about the actual job of corporate planners. Is their function seen as a career track and how much value do they offer to the company? Should their job solely consist of creative elements such as deriving new ideas and business initiatives? How much of their job is really strategic?
8 Bibliography


9 Appendices

Appendix A: List of interview partners
Appendix B: Interview guidelines
Appendix C: Case study information prior to interviews
Appendix D: Example of (individual) case study protocol
## 9.1 Appendix A: List of interview partners

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Location (HQ)</th>
<th>Interview partner(s)</th>
<th>Date, Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>Conglomerate (focus on engineering)</td>
<td>Zürich, CH</td>
<td>Tobias Becker, Head of Corporate Strategy</td>
<td>16 March 2006, 15:00 – 16:30</td>
</tr>
<tr>
<td>BASF</td>
<td>Chemicals</td>
<td>Ludwigshafen, Germany</td>
<td>Dr. Stefan Blank, Senior Vice President Strategic Planning</td>
<td>27 June 2006, 14:00 – 16:00</td>
</tr>
<tr>
<td>Bosch</td>
<td>Conglomerate (focus on automotive)</td>
<td>Stuttgart, Germany</td>
<td>Theo von Bomard, Senior Vice President Corporate Planning</td>
<td>20 June 2005</td>
</tr>
<tr>
<td>Eaton</td>
<td>Industrials</td>
<td>Cleveland, OH, USA</td>
<td>Ruby Mack, CEO Automotive Division</td>
<td>13 November 2006, 15:00 – 16:00</td>
</tr>
<tr>
<td>Goodyear</td>
<td>Automotive supplier</td>
<td>Akron, OH, USA</td>
<td>Mike Parnell Executive of Commercial Division, North</td>
<td>9 February 2007, 12:00 – 14:00</td>
</tr>
<tr>
<td>Company</td>
<td>Bank Type</td>
<td>Location</td>
<td>Contact Person</td>
<td>Date and Time</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------</td>
<td>-------------------</td>
<td>-----------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Knorr Bremse</td>
<td>Automotive supplier</td>
<td>Munich, Germany</td>
<td>Frank Merwerth, Head of Strategic Planning Commercial Vehicle Division</td>
<td>28 June 2006, 14:00 -15:45</td>
</tr>
<tr>
<td>NASPA</td>
<td>Regional bank (DE)</td>
<td>Wiesbaden, Germany</td>
<td>Jens Fischer, CEO Dr. Michael Sohl, Head of Corporate Strategy Friedhelm Seekatz, Head of Finance and Controlling</td>
<td>11 May 2006, 16:00 – 17:00 3 June 2006, 13:00 – 15:30 11 June 2006, 14:00 – 15:00</td>
</tr>
<tr>
<td>National City</td>
<td>Regional bank (US)</td>
<td>Cleveland, OH, USA</td>
<td>Clark Khyatt, Vice President Corporate Planning</td>
<td>15 November, 15:00 – 16:30</td>
</tr>
<tr>
<td>Newell Rubbermaid</td>
<td>Conglomerate (focus on household goods)</td>
<td>Atlanta, GA, USA</td>
<td>Mike Corriveau, Director of Internal Audit</td>
<td>14 November 2006, 13:00-15:00</td>
</tr>
</tbody>
</table>
9.2 Appendix B: Interview guidelines

What is your position in the company? Since when? What did you do before?

(After the introduction of the interview partner and researchers present at the meeting, the tone of the initial questions depended on the atmosphere of the interview. Sometimes, to get the conversation going, questions were posed in a direct manner as the first examples show below. In most cases, however, researchers prompted interview partners by formulating open-ended questions along the lines of the topics illustrated below.)

- Do you have a planning department?
  - What are the department’s tasks?
  - How is the department organised?
  - What is your relationship with business divisions/corporate leadership?
- What are the components of your strategic planning cycle?
- What is the nature of your strategic planning meetings?
  - Who attends the planning meetings?
  - How long does a meeting typically last?
  - Where are the meetings held?
  - How often do meetings take place?
  - What is planning discussed?
  - How is the meeting/conversation conducted?
  - How much preparation is necessary?
  - What follow-ups are needed?

The process of the strategic planning in your company

- Content
- Coordination
- Frequency
- Involved parties
The format of the strategic plan

Presentation
Process of compiling information

Strategic planning and business units

Role of planning department
Contributions
Relationship HQ – divisions

Unforeseen events/contextual changes

Mechanism to deal with changes
Effect on strategic plan

New business ventures

Provision in strategic plan
Process
Input
Problems
9.3 Appendix C: Case study information prior to interviews

(Example: ABB AG)

ABB – Company profile

The following report provides an overview of the ABB Group, a multi-business company with worldwide operations, headquartered in Zurich, Switzerland.

ABB is a global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact. ABB (formally called Asea Brown Bovery, and sometimes sarcastically referred to in the press as ‘A Bunch of Businesses’) operates through two major divisions - power technologies and automation technologies - and serves a broad base of utility, industrial, and commercial customers. The power technologies division provides the power supply industry with equipment and services for transmission, distribution, and automation. The automation technologies unit offers equipment used to monitor and control processes in plants and utilities. The company has undergone extensive restructuring to focus on these two core units

The ABB Group of companies operates in around 100 countries and employs about 103,000 people.

1. History

The company that is today known as ABB was formed through the merger of the Swedish company Asea and the Swiss company Brown, Boveri & Cie (BBC). Founded in 1883, Aktiebolaget was a manufacturer of electrical lighting and generators that later merged with Wenstroms and Granstroms Elektriska Kraftbolag to form Asea. BBC, on the other hand, was established in 1891 and became the first company to transport high-voltage AC power. The merger of Asea and BBC that formed ABB in 1988 created one of the largest electrical engineering companies worldwide. In recent years ABB has changed over from large-scale solutions to alternative energy and advanced products and technologies in power and automation that constitute its Industrial IT services.

2. Company structure

ABB’s business divisions can be summarized in three categories. Two of these categories constitute ABB’s core businesses: Power Technologies and Automation Products. Each category is subdivided into two or three divisions. The final category belongs to ABB’s non-core business areas.
Power Products
Power Products are key components that transmit and distribute electricity. This division incorporates ABB’s manufacturing network for transformers, switchgear, circuit breakers, cables and associated equipment. It also offers all the services needed to ensure products’ performance and extend their lifespan.

Power Systems
Power Systems offers turnkey systems and services for power transmission and distribution grids, and power plants. Substations and substation automation systems are key areas. Additional highlights include flexible alternating current transmission systems (FACTS), high-voltage direct current (HVDC) systems and network management systems. In power generation, Power Systems offers the instrumentation, control and electrification of power plants.

Automation Products
This ABB business serves customers with energy efficient and reliable products to improve customers’ productivity, including drives, motors and generators, low voltage products, instrumentation and analytical, and power electronics. More than one million products are shipped daily to end customers and channel partners, spanning a wide range of industry and utility operations, plus commercial and residential buildings.

Process Automation
The main focus of this ABB business is to provide customers with integrated solutions for control, plant optimization, and industry-specific application knowledge. The industries served include oil and gas, power, chemicals and pharmaceuticals, pulp and paper, metals and minerals, marine and turbo charging. Key customer benefits include improved asset productivity and energy savings.

Robotics
ABB has the world's largest installed base of industrial robots - also providing robot software, peripheral equipment and modular manufacturing cells for tasks such as assembly, painting and finishing, and machine tending. Key markets include automotive, foundry, packaging, material handling and consumer industries. A focus on solutions leverages thousands of applications for manufacturers worldwide.

Other activities
ABB’s non-core business units are formed by building systems, equity ventures, new ventures and downstream oil, gas and petrochemicals divisions. ABB Lummus Global is an international organization that focuses on the oil and gas, petroleum refining and petrochemical process industries. Projects and services extend from gas processing plants and refineries, to petrochemical, chemical, and polymer facilities.
3. Recent activities

Since 2000, ABB has undertaken massive steps to reinvent itself. ABB has undergone an extensive program of restructuring after years in which it over-diversified, racked up enormous debts, alienated investors, and faced the threat of bankruptcy. The company spun off many of its far-flung businesses, including units that dealt in wind energy, capital finance, high-voltage cables, export banking, metering equipment, and marine switchgear. Over the course of two years the company pared its enormous workforce by a quarter.

The company’s aim until today has been to streamline its divisional structure to focus on power technologies and automation technologies. In 2002, ABB sold the majority of its financial services division and put its oil, gas and petrochemicals as well as building division up for sale. In 2004, the upstream oil, gas and petrochemicals division was sold.

4. Competitive environment

Alstom, General Electric and Siemens are among ABB’s main competitors. All of them established multi-business companies; their areas of competition lie primarily in the power generation and storage divisions.

**Alstom:** Makes power-generation systems and constructs power plants. Alstom is also a leading maker of rail equipment such as railcars and signalling devices, and makes luxury passenger ships (such as the Queen Mary II), naval vessels, and natural gas tankers. Other businesses include electrical drives, motors, and generators. Headquartered in Paris, France, the company employs just under 70,000 people.

**General Electric:** From jet engines to TV broadcasting, from plastics to power plants, General Electric (GE) is plugged in to most businesses that have shaped the modern world. The company produces aircraft engines, locomotives and other transportation equipment, appliances (kitchen and laundry equipment), lighting, electric distribution and control equipment, generators and turbines, nuclear reactors, medical imaging equipment and plastics. Its financial arm, which includes commercial finance, consumer finance, equipment management, and insurance, accounts for nearly half of the company's sales, making GE one of the largest financial services companies in the US. Other operations include the NBC television network. Headquartered in Connecticut, USA, the company employs around 307,000 people.

**Siemens:** The company is Europe's largest electronics and electrical engineering firm and has operations worldwide in the industrial automation and control, information and communications, lighting, medical, power transmission, and transportation sectors. Siemens is a leading global manufacturer of telecom network equipment, which it provides through its Siemens Communications Group. The company is also active in the semiconductor sector through a minority stake in chip maker Infineon Technologies. Siemens Communications sold its mobile phone unit to Taiwan's BenQ in 2005. Headquartered in Munich, Germany, the company employs over 450,000 people worldwide.
Some of ABB’s secondary competitors include:

- Aker Kværner
- Bechtel
- Cooper Industries
- Emerson Electric
- Endress + Hauser
- Fluor
- Foster Wheeler
- Halliburton
- Hitachi
- Honeywell ACS
- Invensys
- JGC
- McDermott
- Samsung Group
- Schneider Electric SA
- Technip
- Toshiba
- VA Technologie

5. Corporate governance

Board of Directors
The Board of Directors defines the ultimate direction of ABB’s business and issues the necessary instructions. It determines the organization of the ABB Group and appoints, removes and supervises the persons entrusted with the management and representation of ABB. Members of the board are:

- Jürgen Dormann, Chairman and former CEO
- Roger Agnelli
- Louis R. Hughes
- Hans Ulrich Märki
- Michel de Rosen
- Michael Treschow
- Bernd W. Voss
- Jacob Wallenberg

Next to a number of other committees (audit, nomination, etc.) that report to and assist the board, ABB instigated a strategy committee in 2003. During a review of the group’s medium-term strategy in 2003 and 2004, the board’s strategy committee worked in cooperation with the ABB Group executive committee to discuss proposals for the group’s future focus and direction. The committee completed its work in 2004 and was then dissolved.
Its members and Secretary were:

- Louis R. Hughes (Chairman)
- Hans Ulrich Märki
- Michael Treschow
- Peter Smits (Secretary)

**Executive team**
The group executive committee is responsible for ABB’s overall business and affairs, and day-to-day management.

Members are:

- Fred Kindle (CEO)
- Dinesh Paliwal
- Peter Smits
- Gary Steel
- Peter Voser
- Michel Demaré

The following managers and their respective reporting unit are found within the different business divisions:

<table>
<thead>
<tr>
<th>Group functions reporting to CEO</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Communications</td>
<td>Adam Roscoe</td>
</tr>
<tr>
<td>Group Internal Audit</td>
<td>Markus Kistler</td>
</tr>
<tr>
<td>Legal Affairs and Compliance</td>
<td>John Scriven</td>
</tr>
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<th>Group functions reporting to CFO</th>
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<tr>
<td>Assurance</td>
<td>Silvio Ghislanzoni</td>
</tr>
<tr>
<td>Corporate Finance and Taxes</td>
<td>Alfred Storck</td>
</tr>
<tr>
<td>Group Planning and Controlling</td>
<td>Hannu Kasi</td>
</tr>
<tr>
<td>Information Systems</td>
<td>Haider Rashid</td>
</tr>
<tr>
<td>Investor Relations</td>
<td>Michel Gerber</td>
</tr>
<tr>
<td>Risk Management and Insurance</td>
<td>Charles Salek</td>
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<th>Group functions reporting to Corporate Development</th>
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<tr>
<td>Corporate Strategy</td>
<td>Tobias Becker</td>
</tr>
<tr>
<td>Mergers &amp; Acquisitions</td>
<td>Ulf Hoof</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>John Walker</td>
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<th>Group function reporting to President of Global Markets and Technology</th>
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<tr>
<td>Research and Development</td>
<td>Peter Terwiesch</td>
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<th>Group functions reporting to Human Resources</th>
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<tr>
<td>Executive Remuneration</td>
<td>Jimmy Yap</td>
</tr>
<tr>
<td>Human Resources Operations</td>
<td>Paul Lewis</td>
</tr>
<tr>
<td>Sustainability Affairs</td>
<td>Curt Henricson</td>
</tr>
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In addition, each divisional unit is headed by a manager reporting to the executive board:

<table>
<thead>
<tr>
<th>Division</th>
<th>Division manager</th>
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<tr>
<td>Power products</td>
<td>Bernhard Jucker</td>
</tr>
<tr>
<td>Power systems</td>
<td>Samir Birkho</td>
</tr>
<tr>
<td>Automation products</td>
<td>Tom Sjoekvist</td>
</tr>
<tr>
<td>Process automation</td>
<td>Veli-Matti Reinkkala</td>
</tr>
<tr>
<td>Robotics</td>
<td>Anders Jonsson</td>
</tr>
</tbody>
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6. Key financial data

- March 2005 asbestos agreement turns net profit of $201 million into $35 million loss
- Earnings before interest and taxes (EBIT) tripled compared to 2003; EBIT margin sharply higher
- Core Power Technologies and Automation Technologies divisions post double-digit order and revenue growth
- Further divestments, including upstream oil, gas and petrochemicals business, as part of program to sell non-core activities
- Step change business improvement program cuts group’s cost base by more than $1 billion
- Total debt reduced to $5.5 billion from $7.9 billion at end of 2003
Revenues by region

Europe 52%
Asia 21%
The Americas 17%
Middle East and Africa 10%

2004 data

Core division revenues

Power Technologies
Automation Technologies

2002 2003 2004
in $ million

10000 12000
9000 11000
8000 10000
7000 9000
6000 8000
5000 7000
4000 6000
3000 5000
2000 4000
1000 3000
0 2000
9.4 Appendix D: Example of case study protocol

Note of a Meeting with Dr. Stefan Blank, Senior Vice President, Strategic Planning, BASF, Ludwigshaven, 27 June 2006

Present: Dr. Stefan Blank, BASF; Marie Nauheimer, University of St. Gallen; Professor Simon Peck, Case Western Reserve University, Cleveland, OH; Professor Robert Grant, Georgetown University.

The strategy making context

Strategic planning at BASF is strongly influenced by the characteristics of the company and its industry.

The chemical industry is characterised by 3 key economic features:

1. Close operational linkages between products and production processes—all large chemical companies are vertically integrated to some degree.
2. Long time horizons. Assets have a typical economic life of 20 years. For commercialising a new product, a company needs to look even longer: about 5 years of R&D, 3 years for engineering and constructing the plant to produce the new product, then 20 years or more of plant life.
3. Innovation is not directly market driven. Chemical companies produce intermediate products. Often the physical characteristics of a new chemical product cannot be directly linked to the final consumer products that will utilize that chemical. Typically a chemical will be utilized in many consumer industries. Hence, “innovation is difficult to steer.”

BASF’s strategic planning process is influenced by the distinctive features of the company’s strategy and development. BASF is distinguished not just by its size (the world’s biggest chemical company; >87,000 employees) and its diversity (about 8,000 products), but by its high level of integration (Verbund). BASF’s integration extends well beyond the linear, vertical integration typical of chemical companies to a dense network of operational linkages in which almost every by-product from its chemical processes are utilises somewhere within the group. This integration is facilitated by the fact that that a substantial proportion of BASF’s production takes place at its Ludwigshaven HQ (and nearby plants) which allows close physical linkages by pipelines, and also permits exceptional opportunities for economising on energy.

This high level of integration implies a strong coordinating role for the corporate HQ—the Planning and Control Department in particular and inevitably limits the degree to which decision making can be decentralised to the business unit level.
While this integration adds to the complexity of planning and control activities (because of the close linkages between businesses) it also means that “everyone realizes that a centralized strategic planning function is very important.”

Although BASF is more diversified than any other chemical company (it includes not only a wide range of bulk and specialty chemicals, but also oil and gas production and distribution as well), it is clear about the limits to its scope. For example, along with most other chemical companies it recognizes that chemicals and pharmaceuticals do not belong together.

Planning and control within BASF comprises several closely related processes. These include:

- Annual operational planning
- Capital expenditure budgeting (comprising both the determination of capital expenditure budgets and the appraisal and approval of individual projects)
- R&D budgeting
- Strategic business planning
- Strategic corporate planning.

We begin by describing BASF’s Planning and Control Department and then each of the five processes identified above.

**BASF’s Planning and Control Department**

BASF’s Planning and Control Department occupies a more central and powerful role than the corporate planning departments of most large multinationals. This is for two reasons: first, because of its integration, BASF requires stronger central coordination than most companies; second, the Planning and Control department undertakes several of the control functions normally undertaken by Finance Departments in other companies—in particular the formulation of operating and capex budgets and the appraisal of individual capex proposals.

The Planning and Control Department comprises 45 people. The main units are:

- Operating strategies
- Strategic control
- Risk management
- Macroeconomic analysis
- Competitive intelligence
- Innovation scouting (this is a new business development group established fairly recently in order to identify new business opportunities that arise from cross-business linkages).³²

³² BASF Future Business GmbH, a 100% subsidiary of BASF Aktiengesellschaft, was founded with the goal of developing new business areas together with partners both inside and outside the BASF Group. BASF Venture Capital GmbH, a wholly owned subsidiary of BASF Future Business GmbH focuses on venture capital investments.
Dr. Blank described the work of the Department as “intermediary between the board and other businesses.” The Department lacked significant formal authority or decision making powers; its role was to propose and to challenge. In relation to the business the Department took on the role of representing the interests of the Board; in relation to the Board, the Department takes on more of a business role. Because of this intermediary position and the need to combine the roles of supporter, challenger, and inquisitor, it was essential to have the right kind of people in the Department. Although the planning and control function involved a number of people—not just at corporate, but also in the divisions—it did not represent a career track at BASF. Typically, individuals would come to Planning and Control from line management or technical positions and would return to such jobs after 3 or 4 years.

**Capital Expenditure Planning**

The initial basis for setting capex budgets is an SBU’s strategic classification. SBUs are classified into 5 groups: strong expansion, moderate expansion, holding market position (i.e. growth in line with overall market growth), repositioning/cash-flow optimization (“milk”), and divest. SBUs are reclassified with each new strategic plan. Capex budgets are set for 3 to 5 year periods on the basis of a specified percentage of after-tax operating cash flow. For “strong expansion” SBUs this ranges from 50% to 100% of cash flow; milk businesses get about 30%; and some receive only 20%. For BASF the guideline is that capex should be about 50% of operating cash flow (the other 50% is for dividends and share buy-backs).

Within these capex budgets, funding for individual projects is dependent upon an appraisal process that is undertaken by Commissions whose task it is to evaluate investment projects of >€2m. plus all M&A proposals. There are 12 Commissions for capital investment projects and 12 for M&A proposals. The commissions comprise the two senior staff of the Planning and Control Department (DR. Blank and his superior), the Management Board member who has responsibility for that particular Division, and the Divisional head.

Smaller investment projects are decided by the relevant Commission; larger ones are decided by the Management Board on the basis of the analysis provided by the Commission.

Normally investment proposals need to have been identified in the SBU’s strategic plan—however, to allow responsiveness to emerging opportunities, it is also possible for an SBU to propose an investment that was not part of its existing strategic plan.

With regard to M&A, the Planning and Control Dept. does the evaluation; but once approved, the Finance Dept. is responsible for execution.

**R&D Budgeting**

Since R&D is expensed, R&D expenditures are approved as part of the Operating Budgets of the SBUs; however, because R&D projects typically continue for more than one year and because their approval requires substantial technical input, agreeing R&D
budgeting is a distinct characteristic that is managed primarily by the corporate R&D Department.

R&D is set for 3 years on an annual, rolling basis. The allocation process involves a number of considerations, including the following questions:

1. How important is innovation in this business?
2. How good is the SBU in bringing in innovation to market?
3. What does the pipeline look like (and, in particular, what is the expected commercial value—ECV—of innovations emerging?)

R&D projects are monitored by means of discussions that take place with corporate about 3 times each year.

**Strategic Business Planning**

Each of BASF’s 72 SBUs is required to create a new 10-year strategic plan every 3 years. The principle ground rules for the process are:

- The process owner is the business—hence the process is primarily bottom-up.
- The Planning and Control Dept. acts as the challenger of SBU proposals.
- Also, the Planning and Control Dept. established methodology and guidelines for content.

The process begins when, at the beginning of each year, the Planning and Control Dept. draws up a list of SBUs whose strategic plans are up for renewal that year. This list is submitted to the Board, then the SBUs are notified that they need to make their submissions within 6 months.

The SBU develops its strategic analysis that it presents at a strategy kick-off meeting that includes the Division head, the board member responsible, and the strategic planning staff. At this meeting the SBU is expected to present 2 or more alternative strategy options. A key outcome of the meeting is agreement over the preferred strategy. This is a change in the former system, when the SBU and its Division only presented a single strategy option. Under the revised process, the Planning and Control Dept. and the board member responsible able to engage in the strategy dialogue at an earlier stage.

After a period in which the SBU develops and elaborates the preferred strategy, a subsequent meeting is held which discusses and agrees the strategic plan.

Although the process is primarily bottom-up, there is a significant corporate influence on the SBU strategic plans, first, through the ongoing influence of the planning staff, second, through the classification of the SBU to a particular category which establishes constraints for its strategy.

The 10-year planning horizon for strategic plans allows planning to ignore the economic cycles that affect the chemical sector. This allows the SBUs to ignore medium term macroeconomic forecasts and concentrate on underlying trends in demand.
The SBU strategic plans are primarily qualitative and are expected to include a series of strategic mileposts (e.g. “construction of plant in China to commence during the 3rd quarter of 2008”). These mileposts are important for the ongoing monitoring of strategy.

Corporate Strategy

Corporate strategy is formulated periodically—the current 10-year corporate strategy was formulated during 2003.

The process begins with a consideration of external influences on BASF. These include scenarios for the future (typically a “base case” scenario, plus one alternative scenario); also a consideration of “wildcards”—specific factors that would exert a major impact on the company and the world economy (e.g. global terrorism, natural disasters).

Against this background, BASF considers its future under the existing corporate strategy—e.g. what kind of growth rate would the existing strategy generate?

This then provides the basis for reformulating the strategy. Central elements of corporate strategy include:

- The business portfolio
- The geographical distribution of BASF’s business
- The development of its major sites.
CV Marie Nauheimer

PERSONAL
Date of birth: 6th of June 1980 in Frankfurt, Germany

DATA
Nationality: German

BACKGROUND
10/03 – 02/08 UNIVERSITY OF ST. GALLEN, St. Gallen, Switzerland
Doctoral candidate at the Research Institute of International Management
University employment: Academic Programme Manager at the fulltime MBA-HSG programme

09/02 – 09/03 LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE, London, England
MSc Management, CEMS MIM (double degree). Graduation with distinction

09/99 – 07/02 LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE, London, England
BSc Management

04/98 – 07/98 STUDIENKOLLEG, Darmstadt, Germany
Abitur

06/96 – 11/97 SCECGS Redlands, Sydney, Australia
Higher School Certificate

09/90 – 06/96 HEINRICH – VON – GAGERN GYMNASIUM, Frankfurt, Germany
Humanistic high school

LANGUAGES
German: native
English: fluent
French: very good knowledge
Spanish: basic Knowledge
Latinum (advanced proficiency certificate in Latin)